

79 00768

OFFICIAL STATEMENT



Redevelopment Agency of
The City of La Habra
Orange County, California

\$32,600,000

1979 Mortgage Revenue Bonds
(Participation Purchase Program)


Bids to be received by a representative of the Redevelopment Agency at the office of United California Bank, Corporate Trust Department, Tenth Floor Conference Room, 707 Wilshire Boulevard, Los Angeles, California 90017, at 11:00 A.M., on Tuesday, March 27, 1979.

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REDEVELOPMENT AGENCY OF THE CITY OF LA HABRA
Orange County, California

CITY COUNCIL AND MEMBERS OF THE AGENCY

Earl C. Roget, *Mayor*

Beth Graham, *Mayor Pro-Tem*

Robin Young, *Chairperson of the Agency*

Marion Corbett

Burton Ward, *Vice-Chairperson of the Agency*

CITY AND AGENCY STAFF

Lee Risner, *City Manager, City Treasurer and Executive Director and Treasurer of the Agency*

William Waterson, *City Director of Planning and Community Development*

Edward Evans, *City Director of Economic Development*

Robert Hobson, *Agency Counsel and City Attorney*

Conrad V. David, *City Director of Finance*

James Harkins, *City Director of Public Services*

Robert Buonodono, *City Engineer*

Joann Jelly, *City Clerk and Secretary of the Agency*

SPECIAL SERVICES

Rutan & Tucker, *San Francisco, Santa Ana and Newport Beach*
Bond Counsel

[Stone & Youngberg Municipal Financing Consultants, Inc., *San Francisco*
Financing Consultants]

Richard G. Mitchell and William A. Giralдин
Special Consultants

United California Bank, *Los Angeles*
Trustee

Manufacturers Hanover Trust Co., *New York City*
Northern Trust Co., *Chicago*
Paying Agents

THE DATE OF THIS OFFICIAL STATEMENT IS FEBRUARY 27, 1979

79 00768

CITY OF LA HABRA

Civic Center, P.O. Box 337 — (213) 694-1011, (714) 526-2227
La Habra, California 90631
(Redevelopment Agency of the City of La Habra)

February 27, 1979

TO WHOM IT MAY CONCERN:

The purpose of this Official Statement is to supply information to prospective bidders on and buyers of \$32,600,000 1979 Mortgage Revenue Bonds (Participation Purchase Program)—("the Bonds"), authorized and issued for the purpose of purchasing from savings and loan associations a 90 percent participation interest in mortgage loans secured by first liens, paying of expenses in connection with issuance, and providing reserve funds as additional security for said Bonds.

The material contained in this Official Statement was prepared by Stone & Youngberg Municipal Financing Consultants, Inc., in the capacity of financing consultant to the Redevelopment Agency of the City of La Habra with regard to the Bonds. (Such firm will receive compensation from the Agency contingent upon the sale and delivery of the Bonds.) Summaries presented herein of the Resolution of Issuance, the Loan Participation Agreement, the Protocol Agreement, the Community Redevelopment Law, financial and economic data do not purport to be complete, and reference is made to the documents on file in the office of the Executive Director of the Agency for further information. Statements which involve estimates or opinions, whether or not expressly so described herein, are intended solely as such and are not to be construed as factual reports.

The Official Statement does not constitute a contract with buyers or holders, from time to time, of the Bonds. The Resolution of Issuance, which does constitute such a contract, accompanies the Official Statement as originally distributed and is available to any prospective bidder on request from said Executive Director.

The legal opinion, approving the validity of the Bonds, will be furnished by Rutan & Tucker, San Francisco, Santa Ana and Newport Beach, California, Bond Counsel to the Agency. Such firm will receive compensation from the Agency partly contingent upon the sale and delivery of the Bonds.

No dealer, broker, salesman or other person has been authorized by the Agency to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

These securities have not been registered with the Securities and Exchange Commission by reason of the exemption contained in Section 3(a)(2) of the Securities Act of 1933, as amended. The registration or qualification of these securities in accordance with applicable provisions of securities laws of the states in which these securities have been registered or qualified and the exemption from registration or qualification in other states shall not be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the securities or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

The execution and distribution of this Official Statement have been duly authorized by the Agency.

Redevelopment Agency of The City of La Habra

/s/ ROBIN YOUNG
Chairperson

/s/ LEE RISNER
Executive Director and Treasurer

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INTRODUCTION

In January 1975 the City Council of the City of La Habra determined that there was a need for redevelopment of portions of the city, and by ordinance activated the Redevelopment Agency of the City of La Habra, which is a public entity separate and apart from the city. Members of the City Council also constitute the membership of the Agency governing board, and certain city employees are assigned as Agency staff members. The Agency has established (by city ordinance adopted October 29, 1975) one redevelopment project area, the Downtown Project Area Redevelopment Project. The Agency sold \$1,080,000 of tax allocation bonds in February 1978 to finance redevelopment activities within the project area.

In addition to the downtown area, both the city and Agency have taken positive steps towards redeveloping other commercial and residential areas in the city. However, in recent years, due to the greatly increased cost of residential units in La Habra and accompanying high mortgage interest rates, housing costs have increased to the degree that some prospective homeowners have been discouraged from buying within the city. The City and the Agency believe the increasing cost of housing will ultimately result in a lower turnover of residential units, a lessening of rehabilitation and conservation of housing and a lessening of owner-occupied housing, which will have a negative effect upon the development of new commercial properties, which is the prime objective for the revitalization of the central business district.

In view of these factors, the Agency will utilize net proceeds from the sale of its 1979 Mortgage Revenue Bonds currently offered to purchase from lending institutions a 90% participation in outstanding seasoned mortgages, thus generating moneys which the lending institutions can loan at less than market interest rates to qualified buyers of residential and developers of commercial properties within the City of La Habra.

As provided in the Basic Legal Documents, which include the Resolution of Issuance for the Bonds, the Protocol Agreement, and the Loan Participation Agreement, the Agency, through the Trustee, will purchase a 90% participation in a mortgage loan pool from participating savings and loan associations. Utilizing proceeds received from the sale of the participation, each of the associations will then make new mortgage loans to qualified borrowers pursuant to the terms of the Protocol Agreement.

The Agency will establish a maximum interest rate to be allowed on the new loans which will be based upon the interest rate on the Bonds.

The 1979 Bonds are secured principally by a pledge of all revenues derived from the mortgage loan pool and all funds and accounts held by the Trustee for the benefit of the bondholders. Payment of the Bonds and interest thereon is primarily dependent upon: (a) the payment by individual mortgagors and the transmission of such payments by the participating savings and loan associations of principal and interest on the participation in the Mortgage Loan Pool purchased by the Agency; (b) interest earnings from investment of moneys on deposit in the various funds and accounts held by the Trustee and (c) proceeds of foreclosure sales and mortgage pool insurance and special hazard insurance proceeds.

To further insure prompt payment of the Bonds the following have been provided in the Resolution of Issuance for the Bonds:

1. Beginning May 25, 1979, revenues will be transferred to the Sinking Account monthly in amounts sufficient to call and redeem at a premium stated principal amounts of term bonds on each April 1, commencing April 1, 1984.

2. The Resolution provides that bonds are callable without premium from the proceeds of principal prepayments as a result of mortgage prepayments and/or foreclosures. In the event of prepayments, the participating associations are required to substitute mortgages in the pool for those prepaid for a period of time ending not later than April 1, 1984, after which time such substitution is at the option of the associations.

3. A Bond Reserve Account in the amount of \$4,000,000 will be created from Bond proceeds.

4. A Mortgage Reserve Account equal to one percent (1%) of the principal amount of the Agency's participation in the mortgage loan pool (\$273,000) will be created from Bond proceeds.

5. The Agency will maintain mortgage pool insurance policies and special hazard insurance to cover certain losses resulting from defaults in the payment of participation loans by mortgagors.

The City of La Habra is located in the northwest corner of Orange County bordering the Orange-Los Angeles County boundary, about 20 miles southeast of Los Angeles. The city comprises approximately 6.6 square miles and had an estimated January 1978 population of 44,000. The city was

incorporated in 1925 and is a general law city operating under the Council-Manager form of government. The city is a balanced community of residential, commercial and light industrial nature.

The city's 1978/79 assessed valuation (25% of full cash value) is \$183,522,430. Secured property tax delinquencies have averaged 1.44% over the past nine years. The city's 1978/79 budget totals approximately \$10.3 million, of which \$2 million is for capital improvements. Building permit valuations in the city for the period 1974-1978 totalled \$82.5 million, with \$66.3 million the past three years. Of the five year total, approximately \$50.2 million was for new residential construction, representing 153 single and 1,042 multiple dwelling units.

The La Habra City Hall and civic center complex.



THE BONDS

Authority for Issuance

The \$32,600,000 principal amount of Redevelopment Agency of the City of La Habra 1979 Mortgage Revenue Bonds (Participation Purchase Program)—(hereinafter referred to as “the Bonds” or “the 1979 Bonds”) are to be issued pursuant to a Resolution of the Governing Board of the Agency adopted February 27, 1979 and referred to as “the Resolution” in this official statement.

Under the provisions of the Constitution of the State of California and the California Health and Safety Code (commencing with Section 33000) (“the Act”), the Agency is empowered to issue revenue bonds to finance the purchase of mortgages.

A copy of the Resolution which describes the 1979 Mortgage Revenue Bonds and their terms and conditions accompanies this official statement as originally distributed.

Sale of the Bonds

Bids for the purchase of the Bonds will be received on behalf of the Redevelopment Agency of the City of La Habra until 11:00 A.M., Tuesday, March 27, 1979 at the office of United California Bank, Corporate Trust Department, Tenth Floor Conference Room, 707 Wilshire Boulevard, Los Angeles, California 90017.

Details as to the terms of sale are included with the Official Notice of Sale, adopted February 27, 1979, a copy of which is included with this official statement as originally distributed.

Description of the Bonds

The 1979 Mortgage Revenue Bonds consist of \$32,600,000 aggregate principal amount, numbered 1 to 6520, inclusive, each in the denomination of \$5,000 and all dated April 1, 1979. Bonds will mature on April 1 in the following years:

SCHEDULE OF MATURITIES

Maturing April 1	Principal Amount
1993	\$ 6,575,000
1999	5,510,000
2009	20,515,000

The \$6,575,000 of Bonds maturing in 1993, the \$5,510,000 of Bonds maturing in 1999 and the

\$20,515,000 of Bonds maturing in 2009 are term bonds, and minimum term bond payments are required in order to assure their payment at or before maturity.

Interest is payable semiannually on October 1 and April 1 of each year. Both interest and principal are payable at the Corporate Trust Department of the Trustee, United California Bank, Los Angeles, California, or, at the option of the holder, at paying agents of the Agency in Chicago, Illinois or New York, New York.

Minimum Term Bond Payments

In order to provide for the payment of the \$6,575,000 term bonds maturing April 1, 1993, the \$5,510,000 term bonds maturing April 1, 1999 and \$20,515,000 term bonds maturing April 1, 2009, the Resolution provides that beginning on May 25, 1979, revenues will be transferred to the Sinking Account each month in amounts sufficient to call and redeem the following principal amount of term bonds on April 1 of each year at the then prevailing redemption price.

MINIMUM TERM BOND PAYMENTS

Year	Minimum Amount	Year	Minimum Amount
1984 ..	\$1,655,000	1997 ..	\$ 945,000
1985 ..	405,000	1998 ..	1,015,000
1986 ..	435,000	1999 ..	1,085,000
1987 ..	470,000	2000 ..	1,165,000
1988 ..	500,000	2001 ..	1,255,000
1989 ..	540,000	2002 ..	1,345,000
1990 ..	575,000	2003 ..	1,450,000
1991 ..	620,000	2004 ..	1,560,000
1992 ..	665,000	2005 ..	1,675,000
1993 ..	710,000	2006 ..	1,800,000
1994 ..	765,000	2007 ..	1,940,000
1995 ..	820,000	2008 ..	2,085,000
1996 ..	880,000	2009 ..	6,240,000

Extraordinary Redemption

Section 4.01(a) of the Resolution provides that the Bonds are subject to call and redemption, in whole or in part, on any interest payment date, without premium, from the proceeds of principal prepayments as a result of mortgage prepayments and/or foreclosures.

All Bonds maturing on April 1, 1993, shall be paid at maturity or called for redemption and payment provided therefor, before any Bond maturing on April 1, 1999, or on April 1, 2009, may be called for redemption; and all Bonds maturing on April 1, 1999, shall be paid at maturity or called for redemption and payment provided therefor, before any Bond maturing on April 1, 2009, may be called for redemption.

Optional and Mandatory Redemption

The Bonds are subject to call and redemption, as a whole, or in part in order of maturity and by lot within a maturity, at the option of the Agency, from any source of available funds, on any interest payment date on or after April 1, 1989, at the following respective redemption prices (expressed as a percentage of the principal amount of the Bonds or portions thereof to be redeemed), in each case with accrued interest thereon to the date fixed for redemption:

Redemption Date (Dates Inclusive) (April 1 and October 1)	Redemption Price
1989-1990	101 %
1991-1993	100½
1994-2008	100

The term bonds maturing April 1, 1993, April 1, 1999 and April 1, 2009 in the principal amounts of \$6,575,000, \$5,510,000 and \$20,515,000, respectively, are subject to mandatory sinking account calls by lot, beginning April 1, 1984.

All Bonds maturing on April 1, 1993, shall be paid at maturity or called for redemption and payment provided therefor, before any Bond maturing on April 1, 1999, or on April 1, 2009, may be called for redemption; and all Bonds maturing on April 1, 1999, shall be paid at maturity or called for redemption and payment provided therefor, before any Bond maturing on April 1, 2009, may be called for redemption.

The redemption price for any Bonds called will be an amount equal to the principal amount and accrued interest to the redemption date plus a premium based on the date of redemption, as set forth in the tabulation on the next page.

REDEMPTION DATES AND PRICES

On or After April 1	And Prior to April 1	Redemption Price
1984	1985	103 %
1985	1986	102½
1986	1987	102
1987	1988	101½
1988	1989	101
1989	1990	101
1990	1991	101
1991	1992	100½
1992	1993	100½
1993	1994	100½
1994	2008	100

The Resolution requires the Trustee to apply moneys in the Sinking Account to the purchase of the Bonds at public or private sale at prices not exceeding the current redemption price or the first scheduled redemption price if the Bonds are not then subject to redemption.

Notice of redemption is to be published in a newspaper or financial journal published in New York City and in a newspaper or financial journal published in Los Angeles, California, with first publication at least 30 and not more than 60 days prior to the redemption date. The Trustee is required to give written notice to the owners of any registered bonds called for redemption as a whole or in part and is required to mail notice of redemption to the original purchaser of the Bonds except that failure to mail such notice will not affect the validity of the redemption proceedings.

The Trustee

United California Bank, Los Angeles, California, has been appointed Trustee pursuant to the Resolution. The Trustee will receive all of the Bond proceeds and will disburse Bond moneys in conformity with the Resolution. In addition to holding and administering the various accounts and funds of the 1979 Mortgage Revenue Bonds, the Trustee will invest the funds held in trust and will be the recipient of all revenues (as defined in the Resolution) of the Agency. The Trustee will also act as paying agent of the Agency, paying Bond principal and interest. The Trustee will act as Bond registrar and will authenticate all registered Bonds.

Registration

The Bonds will be issued initially as coupon bonds in \$5,000 denominations. The Resolution provides that coupon bonds may be exchanged by the holders for fully registered bonds without cost in denominations of \$5,000 or multiples of \$5,000, and any such fully registered bonds may be discharged from registration at the option of the holder. The Trustee will maintain records of registration and payment and transfer of registered bonds.

Legal Opinion

The approving opinion of Rutan & Tucker, Bond Counsel, attesting to the validity of the Bonds will be supplied free of charge to the original purchaser of the Bonds. A copy of the legal opinion will be printed on each Bond without charge to the purchaser. (See the caption "Closing Papers").

Tax Exempt Status

In the opinion of Bond Counsel, interest on the Bonds is exempt from Federal income taxes and State of California personal income taxes under existing statutes, regulations or administrative rulings. Interest on any of the Bonds held by a "related person" may, during such period of ownership, be taxable under Section 103(b) of the Internal Revenue Code.

Purpose of Issue

Proceeds received from the sale of the 1979 Mortgage Revenue Bonds will be used to purchase a 90% participation in an existing pool of residential mortgages held by a number of savings and loan associations as more fully described in this official statement in the section entitled "The Participation Purchase Program". Under terms of the Protocol Agreement, the savings and loan associations will then lend the proceeds from the sale of the participation interest in the mortgage pool to persons of low and moderate income for residential purposes and to developers of commercial properties within the city.

Legality for Investment

The Act provides that the Bonds shall be legal investments in the State of California for all trust funds, insurance companies, savings and loan associations, investment companies and banks, both savings and commercial, and shall be legal investments for executors, administrators, trustees and all other

fiduciaries. The Act also provides that the Bonds shall be legal investments for State school funds and for any funds which may be invested in county, municipal or school district bonds, and the Bonds shall be deemed to be securities which may properly and legally be deposited with, and received by, any State or municipal officer or by an agency or political subdivision of the State for any purpose for which the deposit of bonds or obligations of the State is now, or may hereafter be, authorized by law, including deposits to secure public funds.

Security

The 1979 Mortgage Revenue Bonds are special obligations of the Redevelopment Agency of the City of La Habra payable from Bond proceeds, interest income, certain insurance proceeds and revenues derived from and secured by a pledge of the Mortgage Loan Pool and all Funds and Accounts held by the Trustee for the benefit of the bondholders. The Agency does not have taxing power and the Bonds are not secured by any of the Agency's other revenues, moneys or assets.

Neither the full faith and credit nor the taxing power of the City of La Habra, the State of California or any of its political subdivisions have been pledged to the payment of the Bonds. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The members of the Agency or any person executing the Bonds are not liable personally or subject to any personal liability or accountability by reason of the issuance of the Bonds.

Payment of the Bonds and the interest thereon is primarily dependent upon: (a) the payment by individual mortgagees and transmission of such payments by the participating savings and loan associations of principal and interest on the participation in the Mortgage Loan Pool purchased by the Agency with 1979 Bond proceeds (including early prepayments of Mortgage Loans); (b) income earned on investment of moneys on deposit in the various Funds and Accounts held by the Trustee and; (c) proceeds of foreclosure sales and mortgage pool insurance and special hazard insurance proceeds.

Additional Bonds

Pursuant to the Resolution, the Agency may issue Additional Bonds only to refund as a whole, or in part, outstanding bonds.

Disposition of Bond Proceeds

The Resolution provides that the proceeds from the sale of the Bonds shall be deposited with the Trustee. The Trustee will then make allocations to the various accounts and funds as follows:

1. Interest Account. Any accrued interest paid by the purchasers of the Bonds is to be deposited in the Interest Account within the Revenue Fund.

2. Mortgage Reserve Account. The sum of \$273,000 is to be deposited into the Mortgage Reserve Account. The account balance in any year must be equal to one percent (1%) of the then existing principal amount of the Agency's participation interest in the Mortgage Loan Pool.

3. Bond Reserve Account. The sum of \$4,000,000 is to be deposited into the Bond Reserve Account and is to be maintained in that amount for the life of the Bonds.

4. Acquisition Fund. A total of \$27,300,000 is to be deposited into this fund for the purchase of Mortgage Pool Participation Certificates.

5. Expense Account. The balance of the Bond proceeds is to be deposited into this account for payment of the 1979 Bond issuance costs (including Bond Counsel and financial consultants' fees, initial Trustee fees, printing costs, bond rating fees, initial insurance premiums, and other costs attributable to the issuance of the Bonds).

Any balance remaining after the payment of initial issuance expenses is to be transferred to the Revenue Fund.

Deposit and Application of Revenues

All revenues of the Agency pertaining to the mortgage participation program are pledged to the punctual payment of the Bonds and the interest thereon, except as otherwise provided in the Resolution. The Bonds are special obligations of the Agency, payable only from certain pledged revenues as defined in the Resolution. The pledged revenues include all the payments of principal and interest received by the Agency under the Mortgage Pool Participation Certificates, interest earned on the various funds and accounts (except for the Parity Maintenance Account and the Insurance Reserve Account) established pursuant to the Resolution, mortgage pool insurance and special hazard insurance proceeds and the pass through of the proceeds from the sale of mortgaged property as a result of foreclosures or prepayments.

Pursuant to the Loan Participation Agreement, as amended by the Protocol Agreement, all mortgage payments received by the servicers of the mortgage pool are to be deposited with the Trustee into the Revenue Fund by the fifteenth day of each month. All moneys in the Revenue Fund are to be set aside and deposited in various accounts in the following order of priority and are to be withdrawn by the Trustee from the special accounts in the same order of priority for the purposes set forth.

1. *Interest Account*—On or before the twenty-fifth day of each month, commencing on May 25, 1979, the Trustee shall set aside in the Interest Account an amount equal to one-fifth of the interest becoming due on the Bonds in the next succeeding six months.

2. *Sinking Account*—On or before the twenty-fifth day of each month, commencing on May 25, 1979, the Trustee shall set aside in the Sinking Account an amount equal to one-eleventh of the redemption price, including any premium, of the minimum amount of term bonds which must be called for redemption in the years specified. For the period May 25, 1979 through March 25, 1984, the Trustee shall set aside monthly 1/59th of the Bonds scheduled for redemption on April 1, 1984.

Moneys in the Sinking Account may be used only for the purpose of purchase or calling and redeeming bonds prior to or at maturity. Any moneys in the Sinking Account may be used for the purchase of any outstanding bonds, at public or private sale, at a price not to exceed the maximum, or then current, redemption price (whichever is lower) which would otherwise be applicable to callable bonds. Such moneys may be used to purchase outstanding bonds at less than par, and such purchased bonds may then be used at said redemption price to satisfy, in whole or in part, Sinking Account requirements.

Money in the Sinking Account may be temporarily invested in authorized securities (as defined in the Resolution) maturing not later than the time the money must be paid from the Sinking Account.

3. *Principal Prepayment Account*—Any moneys received by the Trustee as a result of mortgage prepayments or foreclosures will be deposited into this account and used to redeem an equivalent amount of Bonds at the next interest payment date as provided for in the Resolution.

4. *Mortgage Reserve Account*—Under the terms of the Resolution, a Mortgage Reserve Ac-

count in the amount of \$273,000 will be created from Bond proceeds. Moneys in this account are pledged as a reserve to pay interest and principal on the Bonds in the event no other funds are available.

Moneys in this account must be maintained in an amount equal to one percent (1%) of the aggregate outstanding principal amount of the Agency's participation in the Mortgage Loan Pool. Interest earned from the investment of this account, and amounts in excess of the then required balance (which balance will decline as principal payments are made on mortgages) are deemed to be pledged revenues and will be deposited into the Revenue Fund.

5. *Bond Reserve Account*—Under the terms of the Resolution, a Bond Reserve Account in the amount of \$4,000,000 will be created from Bond proceeds and thereafter must at all times be maintained in that amount.

The Reserve Account can be used only to pay principal and interest on the Bonds in the event no other funds are available for that purpose, and whenever drawn upon, must be replenished from the first available revenues. Moneys in the account will be used to retire \$4,000,000 of Bonds at maturity on April 1, 2009. The Reserve Account will be invested in federal securities and the earnings obtained by such investment are deemed to be pledged revenues and will be deposited into the Revenue Fund.

6. *Expense Account*. The Trustee shall deposit monthly into the account, one-twelfth of moneys needed within the next year for payment of certain pending expenses of the Agency, including Trustee's fees, independent audit fees, insurance premiums and other administrative costs attributable to the Bonds.

7. *Parity Maintenance Account*. After providing for all the transfers listed above, the Trustee shall deposit all remaining revenues into the Parity Maintenance Account. Moneys in this account are to be used to make up any deficiencies in the other Accounts.

No moneys may be used for any other Agency purposes until the balance in the Parity Maintenance Account, when added to amounts held in the Bond Reserve Account, the Mortgage Reserve Account, the Principal Prepayment Account and the Agency's remaining participation in the principal amount of mortgages within the Mortgage Loan Pool, is equal to the amount of 1979 Bonds then outstanding (the "Point of Parity").

8. *Insurance Reserve Account.* The Agency may maintain an account equal to one percent (1%) of the participation loans originally outstanding, to be used as a reserve for purposes of self-insurance against the risks otherwise covered by the special hazard insurance policy described below. As long as said balance is maintained in the Insurance Reserve Account, the Agency need not have in effect a special hazard insurance policy, the balance in said account to be used as a reserve for self-insurance.

Moneys in excess of the amount required to be retained as stated above may be used for any lawful purpose of the Agency as set forth in Section 5.03(8) of the Resolution.

Investment of Funds

The Trustee will keep the funds and accounts established pursuant to the Resolution invested or on deposit in such manner as will produce reasonable interest returns in the opinion of the Trustee. All such investments must mature not later than the time the funds and accounts are expected to be required.

Bond Service and Revenue Assumptions

The Agency has estimated that its participation (90%) in the principal amount of loans and the fixed rate of interest on the unpaid balances to be received from the mortgages held in the Mortgage Loan Pool, together with interest earnings on the Bond Reserve Account, the Mortgage Reserve Account, the Parity Maintenance Account and the Revenue Fund will be sufficient to pay the principal of and interest on the Bonds, Trustee's fees and other administrative expenses incurred and attributable to the Bonds.

The assumptions and revenue estimates utilized by the Agency are as follows:

1. The yield on the Agency's participation (\$27,300,000) in the Mortgage Loan Pool will be 8.18 percent per annum, or such lower or higher return as to be at least one percent (1%) higher than the net interest rate on the Bonds.

2. The seller-servicer of the mortgages within the Mortgage Loan Pool will remit the mortgage payments received by them to the Trustee by the fifteenth day of each month.

3. The maturity schedule for Mandatory Sinking Account calls provides for a normal full term repayment of mortgages and has not been

structured to anticipate prepayments of mortgages, in view of a recent California Supreme Court decision regarding the enforceability of prepayment clauses, *Wellenkamp v. Bank of America NT&SA*, 21 Cal. 3d 943 (1978); however, this case has been held inapplicable to Federally chartered savings and loan associations for loans executed on or after June 8, 1976, in *Glendale Federal Savings and Loan Association v. Fox*, 459 F.Supp. 903 (1978), and the unknown effects of Proposition 13, the Jarvis-Gann Constitutional Initiative limiting taxes, on the resale frequency of residential property. If prepayments are experienced prior to the normal repayment period, an equivalent portion of 1979 Bonds will be called, at par, in accordance with the terms of the Resolution pursuant to the extraordinary call provisions. During the first five years of the issue, through April 1, 1984, or until such time as the balance in the Parity Maintenance Account, when added to amounts held in the Bond Reserve Account, the Mortgage Reserve Account, the Principal Prepayment Account, the Sinking Account and the Insurance Reserve Account and the Agency's remaining participation in the principal amount of mortgages in the Mortgage Loan Pool, is equal to the amount of Bonds then outstanding, whichever is earlier, the participants (seller-services) in the Mortgage Loan Pool are required to substitute mortgages for those mortgagees accelerated by reason of prepayment. Such substitution is optional after the above date.

4. The mortgage loans contained in the Mortgage Loan Pool will have remaining lives of not less than 25 years. It is anticipated that the 1979 Bonds will be fully collateralized by reserves and outstanding mortgage balances by the end of the fifth year of the bond issue.

5. The amount deposited in the Bond Reserve Account will be continuously invested in authorized investments and will earn interest at an estimated annual rate of not less than 8.5% per annum.

6. The amounts deposited in the Mortgage Reserve Account and the temporary investment of funds in the Revenue Fund, the Interest Account, the Sinking Account, the Principal Prepayment Account, the Parity Maintenance Account and the Insurance Reserve Account will be continuously invested by the Trustee and will earn interest at an estimated annual rate of not less than 5% per annum.

7. In the event of a default in payment of any mortgage loan, the Trustee will seek immediate recovery from the insurer of the Mortgage Loan Pool or will allow the seller-servicer to repurchase the defaulted loan or substitute another qualified loan in its place so as to allow the Agency to meet the debt service on its 1979 Bonds as scheduled.

Bondholders' Risks

If a mortgagor defaults in the payments on a mortgage loan and the Trustee institutes foreclosure or other recovery proceedings through the seller-servicers, there will be time delays which, should they occur with respect to a large number of mortgage loans, could disrupt the flow of Revenues available for the payment of the principal of and interest on the 1979 Bonds. These time delays are due to the procedures applicable to the collection of mortgage insurance proceeds as well as those required under California law for the enforcement of rights of mortgagees.

The ability of the Agency to have its mortgage insurance claims satisfied is dependent upon the solvency of the mortgage insurer(s) and the respective seller-servicers at the time of the claim. The Agency makes no representation as to the ability of the mortgage insurers and the respective seller-servicers to pay the claims when presented by the Agency.

The Agency has outstanding as of the sale date of the 1979 Bonds, \$1,080,000 of tax allocation bonds issued for the Downtown Area Redevelopment Project. The Jarvis-Gann Initiative, or Proposition 13, adversely affects the ability of California redevelopment agencies (including the Agency) to meet debt service on outstanding tax allocation bonds by requiring reductions in and imposing limits on assessed valuations and property tax rates. Interest on the Agency's tax allocation bonds is funded from bond proceeds through March 1, 1981 and there is a reserve fund equal to maximum annual debt service on the bonds. The Agency believes that new development currently underway or anticipated within the redevelopment project area will generate sufficient tax revenues to meet bond interest and principal payments beginning September 1, 1981 (the first payment date after the period for which interest has been funded from bond proceeds).

Notwithstanding that the 1979 Bonds are secured separately from the Agency's tax allocation bonds,

the market reaction to any failure by the Agency to meet debt payments on its outstanding tax allocation bonds, although unlikely, could adversely affect future market prices for the 1979 Bonds.

Supplemental Resolutions

The Agency and the Trustee may enter into supplemental resolutions without the consent of the bondholders for the following purposes:

(1) To cure any ambiguity or former defect or omission contained in the Resolution or in any supplemental resolution if such shall not adversely affect the interests of the bondholders; or

(2) To grant to or confer upon the Trustee for the benefit of the bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the bondholders or the Trustee.

Additional Covenants

The Resolution contains covenants including, but not limited to the following, in which the Agency agrees:

1. To punctually pay principal and interest of the Bonds as they become due.

2. To preserve any and all rights under the Loan Participation Agreement and to enforce the Protocol Agreement.

3. To pay, discharge, or contest any lawful claims and any taxes, assessments, or other governmental charges upon the revenues which might impair the security of the Bonds.

4. To keep proper books of record and accounts and annually, within 120 days after the end of each annual accounting, prepare detailed certified audits covering the operation of the Agency, showing revenues, expenses, insurance in force, and the status of each fund and account.

5. Not to invest moneys credited to the various funds and accounts established under the Resolution in a manner which would result in the Bonds constituting taxable "arbitrage bonds" within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended by Section 601(a) of the Tax Reform Act of 1969 (83 Stat. 656), any subsequent amendments, and the Income Tax Regulations lawfully issued thereunder.

6. To maintain or cause to be maintained Mortgage Pool Insurance policies and Special Hazard Insurance coverage as described on pages 19 and 20 of this official statement.

Event of Default—Remedies

The Resolution declares each of the following events to be an event of default:

(1) Failure to pay the principal on the Bonds when due and payable;

(2) Failure to pay interest on the Bonds when due and payable, if such failure shall have continued for 30 days;

(3) Default by the Agency in the performance or observance of any of the covenants, agreements or conditions in the Bonds or in the Resolution if such default continues for sixty (60) days after written notice thereof has been given to the Agency by the Trustee or by the holders of not less than 25% in aggregate principal amount of the Bonds then outstanding; or

(4) If, under the provisions of any other law for the aid of debtors, any court of competent jurisdiction assumes, for a period of at least 60 days, custody or control of the Agency or of the whole or any substantial part of its property.

In the case of an event of default, the Trustee or the holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding may declare the principal of all the Bonds then outstanding and the interest thereon to be due and payable immediately.

In addition, in the case of an event of default, any Bondholder shall have the right, for the equal benefit and protection of all Bondholders similarly situated—

(1) By mandamus, suit, action or proceeding, to seek to compel the Agency and its members, officers, agents or employees to perform each and every term, provision and covenant contained in the Resolution and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the Agency and the fulfillment of all duties imposed upon it by the Law;

(2) By suit, action or proceeding in equity, to seek to enjoin any acts or things which are unlawful, or the violation of any of the Bondholders' rights; or

(3) Upon the happening of any event of default, by suit, action or proceeding in any court of competent jurisdiction, to seek to require the Agency and its members and employees to account as if it and they were the trustees of an express trust.

The Resolution provides that no remedy conferred therein upon the Trustee or the Bondholders shall be exclusive of any other remedy, and that each and every remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or thereafter conferred upon the Trustee or Bondholders. However, the effect of any such remedies may be limited by the laws of the State of California affecting such remedies and may also be limited by laws governing bankruptcy, insolvency or other matters affecting enforcement of creditors' rights.

Amendment of the Resolution

The Resolution may be modified or amended by a Supplemental Resolution only with the consent of the holders of 60% of all Bonds then outstanding (exclusive of disqualified Bonds, as defined in the Resolution) unless the modification or amendment is for the purpose of curing ambiguities or defects in the Resolution; grants or confers upon the Bondholders additional rights, remedies, powers, authority or security; or to provide for the issuance of additional bonds in conformity with the provisions of the Resolution, in which case no Bondholder's consent is required. No modification or amendment of the Resolution shall: (1) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the Agency to pay the principal thereof, or interest thereon, or any premium payable on the redemption thereof, at the time and place and at the rate and in the currency provided therein, without the express consent of the holder of such Bond, or (2) reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification, or (3) modify any of the rights or obligations of the Trustee without its written consent.

Closing Documents

Each proposal for the purchase of the Bonds will be understood to be conditioned upon the Agency furnishing to the purchaser, without charge, concurrently with payment for and delivery of the Bonds, the following closing documents, each dated the date of such delivery:

(a) *Legal opinion*—The opinion of Rutan and Tucker, San Francisco, Santa Ana and Newport Beach, California, Bond Counsel for the Agency, approving the validity of the Bonds and stating that interest on the Bonds is exempt from income

taxes of the United States of America under present federal income tax laws, and that such interest is also exempt from personal income taxes of the State of California under present state income tax laws.

A copy of the opinion of Rutan and Tucker, certified by an officer of the Agency by facsimile signature, will be printed on the back of each Bond. No charge will be made to the Purchaser for such printing or certification.

(b) *Arbitrage Certificate*—A certificate of an officer of the Agency and an appropriate official of the City that on the basis of the facts, estimates and circumstances in existence on the date of issue, it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be arbitrage bonds.

(c) *No-Litigation Certificate*—A certificate signed by the Agency Counsel that there is no litigation threatened or pending affecting the validity of the Bonds.

(d) *Signature Certificate*—A certificate of the officers and representatives of the Agency show-

ing that they have signed the Bonds, whether by facsimile or manual signature, and that they were respectively authorized to execute the same.

(e) *Receipt*—The receipt of the Agency showing that the purchase price of the Bonds, including interest accrued to the date of delivery thereof, has been received by the Agency.

(f) *Certificate of Compliance with Protocol Agreement*—A certificate of an officer of each participating savings and loan association verifying that the mortgages their association contributes to the Mortgage Loan Pool comply with all the conditions set forth in the Protocol Agreement.

(g) *Certificate Re Official Statement*—A certificate of an officer of the Agency to the effect that at the time of sale of the Bonds and at all times subsequent thereto up to and including the time of delivery of the Bonds, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Estimated Annual Bond Service

Table 1 below presents a schedule of estimated annual bond service on the 1979 Bonds.

Table 1

REDEVELOPMENT AGENCY OF THE CITY OF LA HABRA

1979 Mortgage Revenue Bonds

Schedule of Estimated Annual Bond Service

Year Ending April 1	Principal Outstanding	Estimated Interest ^①	Mandatory Sinking Account Call	Call Premium	Total Estimated Bond Service
1980	\$32,600,000	\$ 2,333,287.50	\$	\$	\$ 2,333,287.50
1981	32,600,000	2,333,287.50			2,333,287.50
1982	32,600,000	2,333,287.50			2,333,287.50
1983	32,600,000	2,333,287.50			2,333,287.50
1984	32,600,000	2,333,287.50	1,655,000	49,650	4,037,937.50
1985	30,945,000	2,217,437.50	405,000	10,125	2,632,562.50
1986	30,540,000	2,189,087.50	435,000	8,700	2,632,787.50
1987	30,105,000	2,158,637.50	470,000	7,050	2,635,687.50
1988	29,635,000	2,125,737.50	500,000	5,000	2,630,737.50
1989	29,135,000	2,090,737.50	540,000	5,400	2,636,137.50
1990	28,595,000	2,052,937.50	575,000	5,750	2,633,687.50
1991	28,020,000	2,012,687.50	620,000	3,100	2,635,787.50
1992	27,400,000	1,969,287.50	665,000	3,325	2,637,612.50
1993	26,735,000	1,922,737.50	710,000	3,550	2,636,287.50
1994	26,025,000	1,873,037.50	765,000		2,638,037.50
1995	25,260,000	1,819,487.50	820,000		2,639,487.50
1996	24,440,000	1,762,087.50	880,000		2,642,087.50
1997	23,560,000	1,700,487.50	945,000		2,645,487.50
1998	22,615,000	1,634,337.50	1,015,000		2,649,337.50
1999	21,600,000	1,563,287.50	1,085,000		2,648,287.50
2000	20,515,000	1,487,337.50	1,165,000		2,652,337.50
2001	19,350,000	1,402,875.00	1,255,000		2,657,875.00
2002	18,095,000	1,311,887.50	1,345,000		2,656,887.50
2003	16,750,000	1,214,375.00	1,450,000		2,664,375.00
2004	15,300,000	1,109,250.00	1,560,000		2,669,250.00
2005	13,740,000	996,150.00	1,675,000		2,671,150.00
2006	12,065,000	874,712.50	1,800,000		2,674,712.50
2007	10,265,000	744,212.50	1,940,000		2,684,212.50
2008	8,325,000	603,562.50	2,085,000		2,688,562.50
2009	6,240,000	452,400.00	6,240,000		6,692,400.00
Totals		\$50,955,212.50	\$32,600,000	\$101,650	\$83,656,862.50

① Assumes interest rates of 7% for Bonds maturing April 1, 1993 and April 1, 1999 and 7¼% for Bonds maturing April 1, 2009.

THE PARTICIPATION PURCHASE PROGRAM

Background

Since January 1975, when the La Habra City Council activated a redevelopment agency within the city, both the city and that agency have taken positive steps towards redeveloping commercial and residential areas in the city. Developments have included public facilities and both new and rehabilitated commercial and residential development, principally within the Agency's Downtown Project Area Redevelopment Project.

However, in recent years, due to the greatly increased cost of residential units in La Habra and accompanying high mortgage interest rates, housing costs have increased to the degree that some prospective homeowners have been discouraged from buying within the city. The city and the Agency believe the increasing cost of housing will ultimately result in a lower turnover of residential units, a lessening of rehabilitation and conservation of housing and a lessening of owner-occupied housing, which will have a negative effect upon the development of new commercial properties, which is the prime objective for the revitalization of the central business district. The Agency has formally found and determined that, by enabling persons and families of low or moderate income to purchase housing that they otherwise could not afford, the program assists such persons and families in obtaining housing within the city, and thereby expands the supply of low and moderate income housing within the city.

In view of these factors, the Agency will utilize net proceeds from the sale of the 1979 Bonds to purchase from lending institutions a 90% participation in outstanding seasoned mortgages, thus generating moneys which the lending institutions can loan at less than market interest rates to qualified buyers of residential and commercial properties within the City of La Habra. The program by which this will be accomplished is described as follows:

Under the terms of the Basic Legal Documents, which include the Resolution of Issuance for the

Bonds, the Protocol Agreement, and the Loan Participation Agreement, the Agency, through the Trustee, will purchase Mortgage Pool Participation Certificates ("the Certificates") from participating savings and loan associations. Utilizing proceeds received from sale of the Certificates, the association will make new mortgage loans to qualified borrowers pursuant to the terms of the Protocol Agreement as discussed in a following paragraph. The Agency will establish a maximum interest rate, exclusive of any mortgage insurance premiums, which will be based upon the interest rate on the Bonds. In addition, the borrower will be charged a one-time maximum loan origination charge of 1.5 percent, by and for the participating associations.

The Loan Participation Agreement

By terms of Loan Participation Agreements dated April 1, 1979 ("The Agreements") between the Agency and participating savings and loan associations ("the Associations"), the Agency will purchase from the Associations a 90 percent participation interest in mortgage loans secured by first liens. All such purchases will be pursuant to the applicable provisions of the Rules and Regulations of the Federal Home Loan Bank Board and of the Federal Savings and Loan Insurance Corporation and the Savings and Loan Association Law of the State of California and all other pertinent laws of the United States and of the State of California.

The Agreements will govern the sale and transfer by the Associations to the Agency of the participation interests and the participation ownerships of the Associations and Agency of each and every secured loan, evidenced by a promissory note and secured by a mortgage, as to which such participating interests are offered for sale by the Associations and accepted by the Agency.

The Agreements contain certain covenants and agreements, including those which are summarized as follows:

1. All State-chartered Associations will only sell loans listed on Certificates that meet all standards pursuant to the California Financial Code.
2. The Associations will promptly inform the Agency as to whether the loans offered conform to Agency standards and criteria, including Section 103 of the Internal Revenue Code of 1954, as amended. The Agency will accept or reject any offered loans within ten days after receipt of such information.

3. The Agency will only purchase participation interests in existing mortgage loans owned by the Associations.

4. Upon acceptance by the Agency of an offered participation interest, the Association shall deliver to the Agency an executed Participation Certificate and the Agency will then pay to the Association an amount equal to 90 percent of the unpaid principal balance and accrued interest due on each loan described in the Certificate.

5. Each Association delivering an executed Certificate to the Agency shall warrant that:

a. There are no violations of any applicable law or regulation by the Association which materially affect the value of the loan;

b. Each mortgage loan described in the Certificate conforms to all State and Federal laws and regulations;

c. The Association is the sole owner of the described loan and has the right to assign and transfer a particular interest therein to the Agency;

d. The Association has a title insurance policy showing the loan to be secured by a first lien upon the mortgage premises, with the normal exceptions in such policies;

e. The Association has fire insurance or a blanket insurance policy on the mortgaged premises equal to at least the amount of the loan balance or the replacement value of the property securing the mortgage;

f. The Association has no undisclosed knowledge of any fact which would have an adverse effect on the value or saleability of the loan;

6. The Associations do not guarantee that mortgagees will make future payments and the sales of participating interests to the Agency under the Agreements shall be without recourse pursuant to the applicable State and Federal regulations.

7. Neither the Agency nor the Associations may assign the Agreements or rights thereunder, without consent of all parties to the Agreements. The Agency may assign its interest to a trustee to secure its Bonds and the Associations may assign their interests to any Federal Home Loan Bank of which they are members for the purpose of securing an advance from such bank and the

bank can reassign such interests. Any such assignments by the Associations shall not relieve them of any obligations pursuant to the Agreements.

8. The Associations shall hold all documents in trust for the accounts of the Associations and Agency, as owners. All loans may be retained in the Associations' names, however, consent of both the Agency and the Associations shall be required for repurchase or resale of any interests in loans sold to the Agency.

9. The Agency shall receive a net return on all loans in the Mortgage Loan Pool which shall not be less than one percent (1%) nor more than one and one-half percent (1½%) over the net borrowing cost of the Bonds. The Agency's share of interest to be paid by the Associations shall be computed from the date the Associations receive payment for the Certificates and thereafter on the 30th day of each month, with payment to be received by the Agency by the 15th day of each month. In the event of default, the Associations shall not be required to pay the Agency until the mortgagor pays, or the Associations may, but are not required to, repurchase the participation interest in the defaulted loan from the Agency at the then balance.

10. The Associations shall pay all necessary expenditures in their discretion, including taxes, insurance premiums, repairs, maintenance, capital improvements and other necessary expenses;

11. The Associations may make advances to borrowers on any loans not in default under an open-end mortgage but the Agency is not obligated to purchase any of the additional advances. Until April 1, 1984 or until the Point of Parity is reached, whichever is earlier, the Associations are required to substitute in the Mortgage Loan Pool qualified mortgages to replace any original mortgage accelerated by reason of prepayment. Such substitution is at the option of the Associations after the above date.

12. The Associations shall give prompt notice to the Agency and Trustee of any defaults and shall act at their discretion in settling any defaults and the Agency shall share in the net proceeds of any sale of property to the extent of the Agency's share in the unpaid balance of the loan.

13. The Associations shall maintain proper records as to each loan in which the Agency has an interest and make same available to Agency at all reasonable times.

14. The Associations shall receive all interest received in excess of that due the Agency, plus any prepayment and late payment charges and other fees.

The Protocol Agreement

Under the terms of the Loan Participation Agreements described above, the Agency, utilizing the Bond proceeds, will purchase for \$27,300,000 a 90% participation in loans secured by first deeds of trust owned by savings and loan associations. The Associations will then lend a like amount of funds to qualified borrowers.

Pursuant to terms of Protocol Agreements (the "Protocol") dated April 1, 1979 between the Agency and each participating savings and loan association, Mercury Savings and Loan Association ("Mercury") of Huntington Beach, California, has been designated by the Agency to coordinate the loan application process. Mercury shall establish a ranking of all participating associations and loan applicants will be assigned to an association in order of ranking. Should an association deny a particular loan application, the applicant will then be re-assigned to the next ranking association for reconsideration. However, for any denial based on a credit record that makes additional referrals apparently futile, the process may be halted after the initial denial.

The Protocol establishes certain standards by which loans can be made under the program. These can be summarized as follows:

1. All deeds of trust may not exceed 95% of the appraised value of the property securing the loan.
2. The maximum interest rate charged to any qualified borrower shall be the net interest rate on the Bonds plus an additional percentage rate not to exceed 1.5%.
3. The maximum term of any deed of trust shall be 30 years.
4. The property which secures each loan must be located within the City of La Habra.
5. Loan applicants will be considered in the order their applications are made to Mercury, in accordance with the assignment procedure outlined above and in accordance with all applicable Federal and State regulations, including fair lending practices.
6. No loan applicant's family income may exceed 120% of the median family income for

Orange County, California as determined by the Agency from available published sources. The loan applicant must intend to occupy the property for at least three years and may receive only one loan from the Loan Fund created under the Agreements. The Associations may apply any additional standards they would normally apply to loan applicants.

7. A total of \$23,000,000 will be loaned only for the financing of single-family dwelling units, attached or detached, and which shall also meet requirements of Section 103(b)(4)(A) of the Internal Revenue Code of 1954, as amended, as it applies to residential real property.

8. Each loan must be for an existing dwelling and may not be for refinancing of existing deeds of trusts by present owners or for construction loans prior to sale of the property.

9. All loans must be secured by a first deed of trust. All properties must pass city building and other inspections as required by city prior to final loan approval. Should rehabilitation be required to meet city standards, no loan can be approved until financing for the needed rehabilitation is obtained from other sources.

10. No loans may be made to any elected official of the City of La Habra, its City Manager, or any officer or member of the Redevelopment Agency of the City of La Habra.

11. A total of \$2,300,000 will be loaned only on newly constructed commercial property located within the Agency's Downtown Project Area Redevelopment Project, subject to Agency approval. No loan shall exceed 75% of the appraised value of the property; the borrower must qualify as a small business under the Small Business Administration; no single borrower may borrow more than \$1,150,000; loans shall be only for permanent financing, not for construction; loans will be made on a first-come, first-served basis; the loan origination fee may not exceed 3% of the value of the loan; and the borrower will pay a fee not to exceed 2% of the value of the loan to the City of La Habra upon loan approval. Any funds not loaned for commercial purposes within three years from the date of the Protocol can be used for single-family residences loans.

12. A total of \$2,000,000 will be loaned only on newly constructed multiple dwelling units, subject to Agency approval. No loan shall exceed 80% of the appraised value of the property;



Examples of existing housing stock in the City of La Habra. Photographs taken in February 1979.

no single borrower may borrow more than \$1,000,000; loans shall be only for permanent financing, not for construction; for the life of the loan, rental rates for units shall not exceed rental rates of existing Section 8 housing as administered by the Orange County Housing Authority; the loan origination fee may not exceed 3% of value of the loan; and the borrower will pay a fee not to exceed 2% of the value of the loan to the City of La Habra upon loan approval. Any funds not loaned for these purposes within three years from the date of the Protocol can be used for single-family residences loans.

The Protocol sets the qualifications of the pool of seasoned mortgages of which the Agency will purchase the 90% participation interest in as security for its mortgage revenue bonds. These are summarized in the following paragraphs.

1. Each loan must be at least four months old and have at least three payments received without delinquency.
2. Loans on condominiums may not constitute more than 10% of the initial principal amount of the loan pool.
3. No single loan may exceed \$160,000, and only 20% of the initial principal balance of the mortgage loan pool shall consist of loans exceeding \$120,000.
4. At least twenty-five percent (25%) of the initial principal amount of the pool loans must be on real property located in Orange County, California. The remainder shall be on real property located in Imperial, Los Angeles, Riverside, San Bernardino, San Diego and Ventura Counties, California.
5. The loan pool may contain variable rate mortgages, provided that the Association agrees to substitute security for any mortgage in which the mortgagor chooses to extend the term beyond the term of the Agency's 1979 Mortgage Revenue Bonds.
6. The loan-to-value ratio of each loan must be 80% or less.
7. Each loan must be for a one to four-family, owner-occupied building. No loans shall be on dwellings with five or more family units.
8. Until April 1, 1984 or until the Point of Parity is reached, whichever is earlier, the Associations must substitute into the Mortgage Loan Pool qualified mortgages to replace any original mortgage accelerated by reason of prepayment.

Such substitution is at the option of the Associations after the aforementioned date.

The Associations agree to exercise their best efforts to lend the available loan funds. Towards this end, the Associations agree to pay to certain Agency-designated charitable or educational organizations, as stipulated in the Protocol, a compliance assurance fee, first calculated on or about March 31, 1982, and repeated annually until all loan funds are lent or the calculation yields a negative number.

Bond Expenditure Program

Net proceeds from the sale of the 1979 Mortgage Revenue Bonds currently offered will be used to purchase participation interests in loans owned by participating savings and loan associations, all pursuant to the terms of the Loan Participation Agreement and the Protocol Agreement. The Associations will then utilize the proceeds from the sale of participation interests to make new loans to finance purchase of single and multiple unit residential and commercial property located in the City of La Habra.

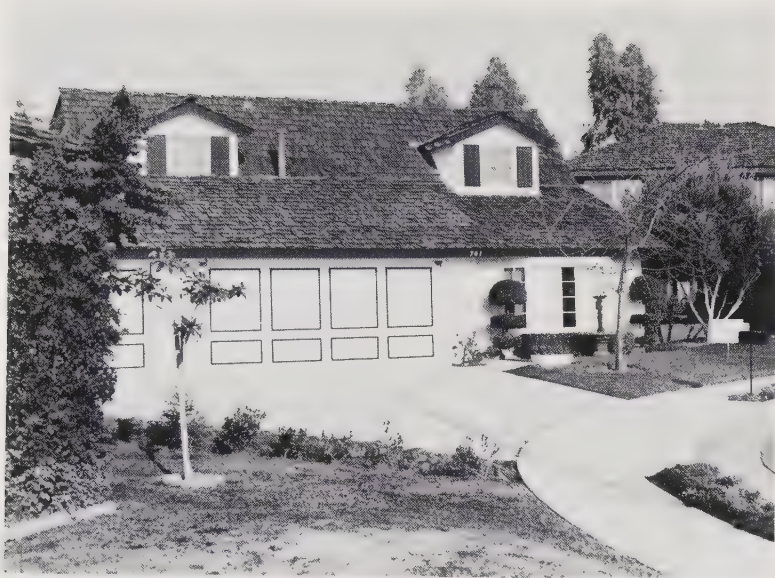
Bond proceeds will also be used to establish certain reserves and pay costs in connection with issuance of the Bonds. Table 2 below summarizes Agency estimates of expenditures of the 1979 Bond proceeds.

Table 2
1979 MORTGAGE REVENUE BONDS
Estimated Bond Expenditures

Loan Participation Interests:	
Single-family residences	\$23,000,000
Multiple-family residences	2,000,000
Commercial	2,300,000
Subtotal	\$27,300,000
Other Expenditures:	
Bond Reserve Account	\$ 4,000,000
Mortgage Reserve Account	273,000
Allowance for Discount (2%) ...	652,000
Costs of Issuance	375,000
Subtotal	\$ 5,300,000
Total Bond Issue	<u>\$32,600,000</u>

Environmental Considerations

The Participation Purchase Program may be subject to the provisions of the California Environmental Quality Act (Public Resources Code, Section 21000 et seq.).



Additional examples of existing housing stock in the City of La Habra. Photographs taken in February 1979.

Environmental impact assessments of the program were made by the City Planning Department and Negative Declaration ND 79-01 was adopted by the Agency on February 27, 1979. The Notice of Determination will be filed with the Orange County Clerk the next day.

The Associations

A total of 20 savings and loan associations will sell to the Agency 90% participation in loans secured by deeds of trust owned by those associations. Pursuant to the Agreement and Protocol, Table 3

below lists each participating association and the amounts of loan participation the Agency will purchase, categorized by the three purposes for which new loans will be made by the associations to qualified borrowers in the City of La Habra.

Table 4 on page 21 lists alphabetically each participating savings and loan association and presents a summary of 1977 or 1978 balance sheet and real estate portfolio data, loan delinquency experience and other information. Additional information, including annual reports, regarding any of the associations may be secured by request to either the associations or the Secretary of the Agency.

Table 3

Value of Loan Participation to be Purchased

Savings and Loan Association	Single Family Residential	Commercial	Multi-Unit Residential	Total
Allstate	\$ 1,150,000	\$	\$	\$ 1,150,000
American	1,150,000			1,150,000
Anaheim	1,150,000			1,150,000
California Federal	1,150,000			1,150,000
Coast Federal	1,150,000			1,150,000
Downey	1,150,000			1,150,000
Fidelity Federal	1,150,000			1,150,000
Gibraltar	1,150,000			1,150,000
Glendale Federal	1,150,000			1,150,000
Home	1,150,000			1,150,000
Mercury	1,150,000	2,300,000	1,000,000	4,450,000
Pacific Federal	1,150,000			1,150,000
Quaker City Federal	1,150,000			1,150,000
Republic Federal	1,150,000		1,000,000	2,150,000
San Diego Federal	1,150,000			1,150,000
Security Federal	1,150,000			1,150,000
Union Federal	1,150,000			1,150,000
USLIFE	1,150,000			1,150,000
Western Federal	1,150,000			1,150,000
World	1,150,000			1,150,000
Total	<u>\$23,000,000</u>	<u>\$2,300,000</u>	<u>\$2,000,000</u>	<u>\$27,300,000</u>

Mortgage Pool Insurance

As and to the extent permitted by law, the Agency will maintain one or more policies of mortgage pool insurance covering certain losses arising from defaults in the payment of Participation Loans by mortgagors. Losses covered include unpaid principal and interest which have become due, and insurance, taxes and foreclosure costs which have been advanced by the Agency or the Trustee. The policies provide for payment whenever an event of default occurs and a claim is properly made for insurance

payment. The policies will contain an endorsement so as to be payable to the Trustee for the benefit of bondholders. The total limit of the insurance company's loss under any policy is 5% of the original principal amount of the insured mortgage loans. Each policy may require that property be restored to its original condition (excepting reasonable wear and tear) as a condition of payment. The mortgage loans covered by the initial policy may not, under applicable laws and regulations presently in effect, include additional mortgage loans acquired more than 30

days after the date the policy is issued. For these additional mortgage loans, the Agency will maintain additional mortgage pool insurance policies; except that under applicable laws and regulations presently in effect, such additional policies may not be maintained until the principal amount of such additional mortgage loans equals \$5 million, and total 75 in number. To cover losses arising from the need to restore property to such condition in order to receive mortgage pool insurance payments, the Agency is protected by policies maintained by homeowners and by the policy of special hazard insurance (or self-insurance) as described below.

The Agency has received confirmation from Tiger Investors Mortgage Insurance Company, ("Tiger IMI") a subsidiary of Tiger Insurance Group, Inc., that it will provide mortgage guarantee pool insurance coverage at the levels specified. At December 31, 1978, Tiger IMI reported insurance in force covering approximately \$5.34 billion of mortgages. At the same date, Tiger IMI reported total assets of approximately \$72.7 million, liabilities of \$16.3 million and capital, surplus and contingency reserves of approximately \$56.4 million. The Agency makes no representation as to the ability of Tiger IMI or any other private mortgage insurer to make payments under their policies of mortgage insurance at the time and in the amount specified in such policies. A copy of the form of mortgage pool insurance policy is reproduced in the appendix to this official statement beginning on page A1.

The premium for mortgage pool insurance for the first year will be paid from Bond proceeds. In subsequent years, the premium will be paid by the Trustee from the Expense Account.

Special Hazard Insurance

The Resolution requires the Agency to maintain a policy of special hazard insurance, so long as any Bonds remain outstanding, covering certain losses arising from physical damage or destruction to prop-

erty securing the mortgage loans. The policy must at least insure against damage arising from earthquake, flood, mudslide, and against losses from the application of co-insurance provisions in insurance policies maintained by homeowners. Such policy may provide for a maximum loss limit equal to one percent (1%) of the principal amount of insured mortgage loans. Alternatively, once the Agency shall have funded an amount equal to this loss limit in the Insurance Reserve Account, the Agency may thereafter self-insure against the losses covered by such policy.

The Agency will initially obtain a policy of special hazard insurance which provides more extensive coverage. This policy covers all losses arising from physical damage or destruction to property securing the mortgage loans, in the event of a default in the payment of such loans and proper presentation of a claim for payment, except such losses arising from the following causes; (1) dishonest acts of the insured, its agents or employees; (2) perils covered by homeowners' policies of fire and extended coverage insurance, except to the extent such losses are not covered by co-insurance provisions; and (3) hostilities, war, rebellion, nuclear emission, and similar causes. Thus, the policy covers earthquake, flood, mudslide, and co-insurance penalties, and additionally covers damage from all other causes not specifically excepted. The type of damages covered by the policy is also broader than the minimum coverage required to be maintained. The type of damages covered includes the cost of repairing property to restore it to its original condition, unpaid principal balance of mortgage loans, and advances of insurance premiums, property taxes and foreclosure costs.

The premium for the first year for special hazard insurance coverage will be paid from Bond proceeds. In subsequent years, the premium will be paid from the Expense Account, or optionally, coverage will be funded by the Insurance Reserve Account as provided in the Resolution.

Table 4

PARTICIPATING SAVINGS AND LOAN ASSOCIATIONS

Summary of Financial Data

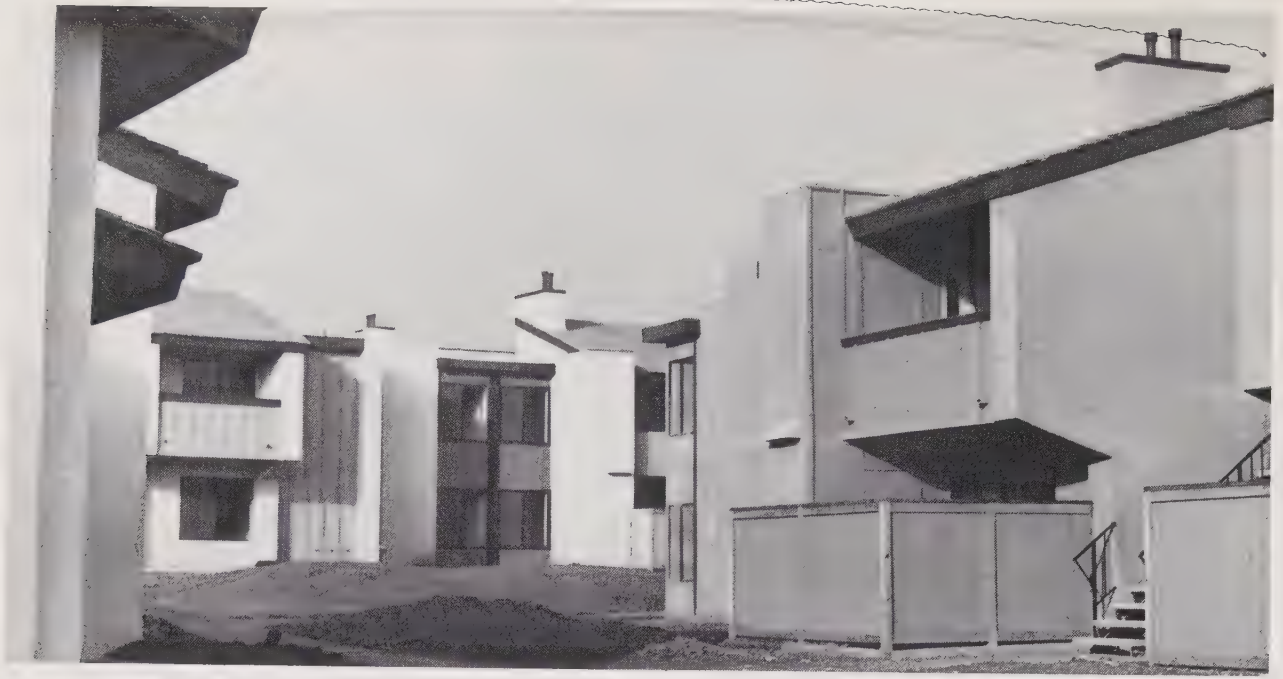
Savings and Loan Association	Year Chartered	Number of Offices	1977 or 1978 Balance Sheet			1977 or 1978 Real Estate Portfolio			Total Loan Portfolio Delinquency Experience (% of \$ Amount of Loans)		
			Total Assets (\$000)	Total Liabilities (\$000)	Reserves and Retained Earnings (\$000)	Total (\$000)	Single Family (\$000)	Single Family (No. Loans)	30-60 Days Delinquent	61-90 Days Delinquent	91 Days or More Delinquent
Allstate①	1929	83	\$2,125,516	\$1,989,745	\$135,771	\$1,844,498	\$1,214,626	40,807	.9600%	.2000%	.1500%
American①	1885	81	7,663,423	7,084,642	578,781	6,858,484	5,277,802	148,430	.6300	.0800	.0700
Anaheim①	1921	8	158,562	148,768	9,794	136,265	109,177	4,543	.6800	.2800	.3300
California Federal②	1925	79	5,336,037	5,044,349	291,688	4,311,981	2,568,830	85,202	1.0000	.1000	.1000
Coast Federal①	1935	38	2,145,237	2,020,284	124,953	1,822,369	1,371,592	45,806	.8000	.2800	.1100
Downey①	1957	24	839,900	803,700	36,200	715,900	510,500	16,485	.6900	.1500	.3800
Fidelity Federal①	1937	33	799,848	745,342	54,506	703,190	455,701	18,550	.1500	.0500	.0300
Gibraltar①	1886	69	2,735,610	2,573,276	162,334	2,484,219	1,738,953	46,000	.9500	.5000	.4000
Glendale Federal②	1934	70	3,766,158	3,546,880	219,278	3,100,933	2,256,785	72,763	1.0000	③	.5000
Home①	1889	87	9,176,671	8,610,530	566,141	8,215,488	5,409,987	149,944	1.0100	③	.3900
Mercury①	1963	11	437,400	417,969	19,431	367,918	248,181	7,392	.5200	.0200	.2700
Pacific Federal②	1934	12	280,503	260,324	20,179	234,222	140,031	4,720	.0047	.0028	.0067
Quaker City Federal①	1920	5	177,023	161,642	15,381	151,675	74,752	4,278	.8500	.1000	.1300
Republic Federal④	1934	12	332,623	314,400	18,223	298,785	202,945	6,342	.9600	.3400	.1600
San Diego Federal①	1885	47	1,560,318	1,479,248	81,070	1,161,612	615,043	26,238	.4000	.0900	.4500
Security Federal②	1957	2	50,778	48,882	1,896	40,246	33,036	802	.0122	.0007	.0010
Union Federal①	1927	14	381,175	359,902	21,273	324,649	187,026	8,479	1.0700	.0800	.0400
USLIFE①	1926	25	505,595	466,471	39,124	430,462	332,929	N/A	.5300	③	.4700
Western Federal①	1936	22	558,518	529,747	28,771	441,691	364,767	11,042	2.3100	.3500	.2000
World①	1912	95	2,267,511	2,135,933	131,578	2,027,477	1,292,683	56,433	.2800	.0500	.3300

① 1977 audited data.

② 1978 audited data. All data provided by the particular associations. More detailed information may be obtained from each particular association or may be requested through the Secretary of the Agency.

③ 61 days or over; shown in 91 days or more column.

④ All data for 1977 except delinquency experience, which is for 1978.



Recent developments in the Redevelopment Agency's Downtown Project Area Redevelopment Project. Top photo shows Smoketree Condominiums nearing completion in February 1979. Bottom photo is of recently completed branch office of Bank of America N.T. & S.A.

THE REDEVELOPMENT AGENCY

The Redevelopment Agency

The La Habra City Council took action on January 7, 1975 that formally recognized the need for redevelopment of portions of the city. The Redevelopment Agency of the City of La Habra was created under the provisions of the Community Redevelopment Law by adoption of Ordinance No. 922, and at the same time the City Council declared itself to be the Agency. The Agency appoints an Executive Director to implement Agency policies and administer redevelopment activities.

City staff provides technical services connected with redevelopment projects, including fiscal services, engineering, planning, legal assistance and other functions necessary for project implementation.

The City Manager, Mr. Lee Risner, also acts as both Executive Director and Treasurer of the Agency. Mr. Risner has been City Manager of La Habra since 1970 and has served in city management and administration for over 25 years. He is also presently a member of the Orange County Manpower Commission and the Orange County Criminal Justice Council and serves as Chairman of the Orange County Juvenile Diversion Management Consortium.

Agency financial records are maintained in the city's finance department under the supervision of the City Director of Finance, Mr. Conrad V. David. Mr. David recently joined the city. He is a Certified Public Accountant and has fifteen years of financial management experience in the public and private sectors.

Powers

All powers of the Agency are vested in its five members. Under the Community Redevelopment Law, the Agency is a separate public body and exercises governmental functions in executing duly adopted redevelopment projects. As such, the Agency has the authority to acquire, develop, administer, and sell or lease property, including the right of eminent domain, the right to accept financial assistance

from any source, and the power to issue bonds, including revenue bonds to finance the purchase of mortgage loans, notes or other evidences of indebtedness, and expend their proceeds. The Agency itself does not have the power to levy taxes.

The Agency may also clear buildings or other improvements, develop as a building site any real property owned or acquired, and in connection with such development, may provide for the installation of streets, utilities, sidewalks, and other necessary public improvements. With the exception of publicly owned structures and facilities benefiting the Project, the Agency itself cannot construct any buildings contemplated under the Redevelopment Plan but must convey property in the Project by sale or lease for private redevelopment in strict conformity with the Plan. The Agency may specify a period of time within which such development must begin.

The Downtown Project

The Agency has one active redevelopment project area. The Redevelopment Plan (the "Plan") for the Downtown Project Area Redevelopment Project ("the Project") was adopted by the Agency and the City Council pursuant to City Ordinance No. 929 on October 29, 1975. Conditions within the Project area prior to adoption of the Plan met the statutory conditions of blight, which must be found to exist as a prerequisite to initiation of redevelopment activities. These conditions included mixed and incompatible land uses, deteriorated housing, other non-conforming or underutilized properties, and inadequate public facilities.

The Project area includes approximately 41 acres, including the civic center and a portion of the central business district. The Project area land use has been established as follows: Commercial/residential—12 acres; streets and parking—12.3 acres; open space—15 acres; and the 1.7 acre civic center.

All real property in the Project area is subject to the controls and restrictions of the Plan. The Plan requires that all new construction shall meet or exceed the standards set forth in the city's building, electrical, plumbing, mechanical and other applicable construction codes. The Plan further provides that no new improvements shall be constructed and that no existing improvements shall be substantially modified, altered, repaired, or rehabilitated except in accordance with site plans submitted and approved by the City Planning Commission.

The Plan allows for commercial, residential, administrative-professional and public uses within the Project area but specifies the particular land use area in which each such use is permitted. The Agency may permit an existing but nonconforming use to remain so long as the existing building is in good condition and is generally compatible with other surrounding developments and uses. The Agency may also take steps to promote development outside of the Project area but that is of benefit to said area.

The heights of buildings, architectural controls, and other development and design controls necessary for proper development within the Project area are established by the Redevelopment Plan and the City Zoning Code.

The Orange County Auditor-Controller reports that the 1978/79 assessed valuation of the Project area is \$744,610, an increase of \$270,300 over the base year (1975/76) valuation, as adjusted, of \$474,310.

The Agency anticipates that new development recently completed, currently under construction or anticipated in the Project area, will increase Project assessed valuations by approximately \$1.85 million by 1982/83. Assessed valuations are assumed to be 25% of full cash value. The principal new developments in the Project area are a completed 67-unit condominium complex, a bank, two commercial buildings and a tennis center. Under development are a senior citizen apartment building, two retail stores, a small office building and a savings and loan association office. The Agency anticipates other new developments within the Project as presently planned construction progresses.

Tax Allocation Financing

The Community Redevelopment Law authorizes a method of financing redevelopment projects based upon a prescribed allocation of property taxes collected within a project. The assessed valuation of taxable property within the project is in effect frozen at the level set forth in the assessment rolls last equalized prior to the effective date of the Ordinance adopting the redevelopment plan (and any amendments thereto), and all overlapping taxing bodies continue to receive the taxes derived by the levy of the current tax rate against the assessed valuation of the project up to an amount equivalent to this frozen base. All property taxes collected each year

after the adoption of the redevelopment plan upon any increase in assessed valuation above the established base level may be credited to a redevelopment agency and pledged to the repayment of any indebtedness incurred in the development of the project. The county also distributes to the Agency the incremental delinquent taxes in the same manner when they are collected. After all indebtedness of the Agency for a given project has been repaid, the total taxes produced by the project thereafter accrue to the respective taxing bodies in the usual manner. Thus, the tax allocation procedure not only permits each taxing agency to levy and collect taxes on the level of assessed valuation existing in a project prior to redevelopment, but also provides that increases in assessed valuation occurring as a result of such redevelopment may be used as a basis for the repayment of costs or indebtedness incurred in behalf of the project.

During the course of redevelopment, assessed valuations may temporarily be less than the frozen base, as a redevelopment agency acquires land and improvements and the properties are removed from the tax rolls by virtue of the transfer to public ownership, or as other land development activities result in a short-term reduction in assessed valuation. While assessed valuations are less than the frozen base, overlapping taxing entities receive only the taxes derived from the current tax rate applied against the actual assessed valuation. As an agency disposes of land to private ownership for purposes of redevelopment, the land is returned to the tax rolls with an assessed valuation that usually reflects the higher level of planned use prescribed in the redevelopment plan. In the event that privately-owned property is acquired and permanently removed from the tax rolls for public uses, the frozen base valuation is reduced proportionately so that the ability to generate Tax Revenues from any new development will not be impaired.

Outstanding Tax Allocation Bonds

As of the sale date of the 1979 Mortgage Revenue Bonds, the Agency will have outstanding \$1,080,000 1978 Tax Allocation Bonds issued for the Downtown Project Area. These bonds mature serially on March 1, 1982-2006. Interest on the bonds through March 1, 1981 and a reserve fund equal to maximum annual debt service on the bonds were funded from tax allocation bond proceeds.

As a result of the Jarvis-Gann Initiative (Proposition 13), which is now Article XIII A of the California Constitution, the property tax rate applicable to increases in Project area assessed valuations over the base year is limited to one percent of market value, or \$4 per \$100 assessed valuation.

Tax revenues generated by this \$4 rate applied to the aforementioned projected increases in assessed valuations in the Project area should be sufficient to meet interest and principal payments on the bonds beginning September 1, 1981 (the first payment date after the period for which interest has been funded from bond proceeds.)

Agency Financial Statements

The Redevelopment Agency of the City of La Habra is a public entity separate and apart from the City of La Habra, but is entirely staffed by employees of the city. All accounting records of the Agency operations are maintained by the city's Finance Department separately from the accounting records of the city.

Agency financial statements for the fiscal years since 1975/76 have been audited by Peat, Marwick, Mitchell & Co., independent certified public accountants. The 1977/78 audit of the Agency is reproduced in its entirety in the appendix to this official statement beginning on page A9.

A recently completed retail store located within the Agency's redevelopment project area.



CITY FINANCIAL DATA

The 1979 Bonds are not a debt of the City of La Habra and the following city financial data are included only for the purposes of providing general information.

Assessed Valuations

The City of La Habra uses the facilities of Orange County for the assessment and collection of taxes for city purposes. City taxes are collected at the same time and on the same tax rolls as are county, school district, and special district taxes. Assessed valuations of properties are the same for both city and county taxing purposes. Assessed valuations are reportedly equal to 25% of full cash value.

The California State Legislature adopted two types of state-reimbursed exemptions beginning in the tax year 1969/70. The first currently exempts 50 percent of the assessed valuation of business inventories from taxation. The second exemption currently provides a credit of \$1,750 of the assessed valuation of an owner-occupied dwelling for which application has been made to the county assessor. Revenue estimated to be lost to local taxing agencies due to the above exemptions is reimbursed from state sources. Reimbursement is based upon total taxes due upon such exempt values and therefore is not reduced by any amount for estimated or actual delinquencies.

The tabulations below and on the next page present the 1978/79 assessed valuation of the city before and after giving effect to State-reimbursed exemptions and a summary of assessed valuations since 1969/70. The decrease in 1978/79 is due to reassessments required by the passage of Proposition 13, as detailed in the following subsection.

CITY OF LA HABRA

1978/79 Assessed Valuations

Assessment Roll	Net Assessed Valuation	Business Inventory and Homeowner Exemptions	Assessed Valuation for Revenue Purposes
Secured ...	\$135,768,000	\$14,819,700	\$150,587,700
Utility	7,364,450	—	7,364,450
Unsecured .	19,726,725	5,843,555	25,570,280
Total ..	\$162,859,175	\$20,663,255	\$183,522,430 ^①

① Includes \$270,300 of incremental assessed valuations within the Agency's redevelopment project. Property taxes levied against such valuations may be paid to the Agency and in such case would not be available to overlapping taxing entities.

Source: Orange County Auditor-Controller.

CITY OF LA HABRA

Assessed Valuations

Fiscal Year	Assessed Valuation*
1969/70	\$ 80,897,923
1970/71	96,173,536
1971/72	100,614,549
1972/73	115,337,891
1973/74	121,960,666
1974/75	137,146,575
1975/76	147,175,325
1976/77	168,539,000
1977/78	190,174,920
1978/79	183,522,430

*Before deduction of State-reimbursed exemptions (first in effect in 1969/70).

Source: Orange County Auditor-Controller.

Constitutional Amendment (Proposition 13)

At the June 6, 1978 election, California voters approved Proposition 13, the Jarvis-Gann Constitutional Initiative. The California Supreme Court upheld the constitutionality of Proposition 13 in a ruling on September 22, 1978. The text of Proposition 13, now Article XIII A of the California Constitution, is as follows:

"Section 1.

(a) The maximum amount of any ad valorem tax on real property shall not exceed one percent (1%) of the full cash value of such property. The one percent (1%) tax is to be collected by the counties and apportioned according to law to the districts within the counties.

(b) The limitation provided for in subdivision (a) shall not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by the voters prior to the time this section becomes effective.

Section 2.

(a) The full cash value means the County assessors' valuation of real property as shown on the 1975-76 tax bill under "full cash value", or thereafter, the approved value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. All real property not already assessed

up to the 1975-76 tax levels may be reassessed to reflect that valuation.

(b) The fair market value base may reflect from year to year the inflationary rate not to exceed two percent (2%) for any given year or reduction as shown in the consumer price index or comparable data for the area under taxing jurisdiction.

Section 3.

From and after the effective date of this article, any changes in State taxes enacted for the purpose of increasing revenues collected pursuant thereto whether by increased rates or changes in methods of computation must be imposed by an Act passed by not less than two-thirds of all members elected to each of the two houses of the legislature, except that no new ad valorem taxes on real property or sales or transaction taxes on the sales of real property may be imposed.

Section 4.

Cities, counties and special districts, by a two-thirds vote of the qualified electors of such district may impose special taxes on such district, except ad valorem taxes on real property or a transaction tax or sales tax on the sale of real property within such city, county or special district.

Section 5.

This article shall take effect for the tax year beginning on July 1 following the passage of this Amendment, except Section 3 which shall become effective upon the passage of this article.

Section 6.

If any action, part, clause or phrase hereof is for any reason held to be invalid or unconstitutional, the remaining sections shall not be affected but will remain in full force and effect."

Tax Rates

Section 1(a) of Proposition 13 limits any ad valorem tax on real property to one percent of full value of such property; however this limitation is not applicable to ad valorem taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by voters prior to July 1, 1978, the effective date of Article XIII A of the California Constitution.

In 1978/79, there are a total of nine tax code areas established within the city. The 1978/79 tax rates on all property for these tax code areas range from \$4.6144/\$100 assessed valuation to \$4.6896/

\$100 assessed valuation. These rates exclude an additional \$.0286 rate on land and improvements only for County Sanitation District No. 3 bond service.

The basic tax rate for all taxing entities within a particular tax code area is \$4 per \$100 assessed valuation in accordance with Proposition 13. To this may be added whatever tax rates are necessary to meet debt service on bond issues approved by the voters prior to July 1, 1978. The city itself has no outstanding voter-approved bonds. The tax rates in excess of the basic \$4 rate in the tax code areas within the city are to meet debt service on voter-approved bonds issued by overlapping entities, principally school districts.

Of the \$4 tax rate for general purposes, the Orange County Auditor-Controller reports that the city in 1978/79 is entitled to 2.54% of the total property tax levied in the county for general purposes, or approximately \$1,098,423. This excludes the tax revenues (approximately \$10,800) due to the Redevelopment Agency's redevelopment project.

Tax Levies and Delinquencies

Taxes on the secured roll are payable in two installments on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. Taxes on unsecured property are assessed and payable on March 1 and become delinquent the following August 31 in the next fiscal year.

The tabulation below summarizes secured tax levies and current delinquencies on June 30 since 1969/70. Over the nine year period the city's average annual rate of secured tax delinquency was 1.44 percent.

CITY OF LA HABRA

Current Tax Levies and Delinquencies

Fiscal Year	City Secured Tax Levy	Delinquent June 30	Percent Delinquent June 30
1969/70	\$1,026,555	\$25,272	2.46%
1970/71	1,227,140	18,530	1.51
1971/72	1,290,477	14,537	1.13
1972/73	1,482,556	17,372	1.17
1973/74	1,429,225	12,965	.91
1974/75	1,617,710	31,216	1.93
1975/76	1,746,775	19,611	1.12
1976/77	1,864,260	21,782	1.17
1977/78	2,145,886	33,328	1.55

Source: Orange County Auditor-Controller.

Principal Taxpayers

The tabulation below presents the ten principal property taxpayers in the City of La Habra in 1977/78, in terms of their secured assessed valuation.

CITY OF LA HABRA

Principal Taxpayers

Company	1977/78 Secured Assessed Valuation*
General Telephone Co.	\$3,525,920
Sunrich Mercantile Corp.	3,294,100
U. S. Steel and Carnegie Pension Fund Trust	3,076,950
Bankamerica Realty Investors	2,907,970
La Habra Community Hospital	2,373,370
Bullock's Realty/Federated Department Stores Inc.	2,095,775
Southern California Edison Co.	2,054,850
Stephen E. Smith et. al.	1,056,860
General Aniline and Film Corp.	853,110
La Habra Cold Storage Inc.	830,450

*Derived from a visual inspection of the Orange County Secured Tax Roll. The above are minimum values.

Sources: Orange County Assessor and Auditor-Controller offices.

Employee Retirement

Permanent city employees are covered under the Public Employees' Retirement System (PERS) of the State of California. Through June 30, 1978, the city contributed an amount equal to 13.660 percent of miscellaneous employee wages and 16.072 percent of safety employee wages. Employee contributions equal 7% of wages for general employees. Safety employees make contributions based upon a formula which takes into account the individual's age at the time his employment commences.

PERS was established in 1931. As of June 30, 1977, there were 556,759 members of which approximately 10% were classified as "safety" members (principally fire and police employees) and the balance were classified as "miscellaneous" members (management, administrative, staff, operational and clerical employees).

Approximately one third of the members are state personnel and the balance are public agency personnel. As of June 30, 1977, the System provided

retirement, death and survivor benefits under 979 contracts for 2,078 public agency employers (cities, counties, and other public agencies) with 374,051 members. The System's funding is by employer and employee contributions together with investment income. Contributions fluctuate yearly depending on the number of members and their respective salary schedules.

Total assets of the System at June 30, 1977 were \$8,951,294,831, according to the annual audit. Of this amount, net assets of \$8,755,875,035 were available for benefits. The annual contribution by employers for the 1976/77 fiscal year was \$718,363,062. The annual contribution by employees for the 1976/77 fiscal year was \$312,725,614.

The most recent actuarial valuation, performed by PERS, utilized census data as of June 30, 1976. The total unfunded obligation of the System was determined to be \$6,868,665. The method used was entry age normal cost, which is a projected benefit cost method wherein level employer normal cost rates, considering present member contributions, are calculated at amounts sufficient to fund benefits over the entire service life of members.

Except for the pooling of certain public agency miscellaneous members, actuarial evaluations are performed for each participating employer, and the total accrued actuarial liability noted above is the sum of the individual employer accounts. According to the PERS annual report, public agency employer contribution rates set forth between each agency and PERS will meet all ongoing costs and fund the unfunded liability for each agency in accordance with the terms of each agency's contract.

The System's financial statements are prepared on an accrual basis of accounting. The System's auditor is Touche Ross & Co., San Francisco, California. Citicorp Investment Management, Inc., San Francisco, provides investment advisory services. The System's actuarial activities are conducted internally on a continuous basis, with an experience analysis being required no less than every four years under the Retirement Law. Management Applied

Programming, Inc., Los Angeles, is reviewing the June 30, 1977 actuarial valuation prepared by the PERS staff.

Employer-Employee Relations

Approximately 34 city employees are members of the International Association of Firefighters Local 138, the only outside employee bargaining unit in the city. All other employee bargaining is carried on internally. Under provisions of the Meyers, Milias, Brown Act of California, formal contractual agreements are not executed between the city and bargaining units. However, terms of the salary settlements are incorporated into memorandums of understanding.

Revenues, Expenditures and Fund Balances

Table 5 on page 30 represents a five-year summary of the city's revenues and expenditures, excluding the city water utility. Table 5 also presents a summary of the city's 1978/79 Budget. The city's audited General Fund unappropriated fund balance as of June 30, 1978 was \$325,035 as compared with \$863,667 on June 30, 1977.

Debt Obligations

The city has no general obligation or revenue bonded debt. However, the city is obligated for annual lease payments as follows: (1) \$71,000 through 1983/84 for rental of the La Habra Police and Fire Building. However, bonds have been purchased by the issuing authority prior to their stated maturities, leaving \$343,000 outstanding as of the date of this official statement, which will result in an earlier expiration of the lease; (2) \$54,000 through 1995/96 for rental of the City Hall. Upon payment and expiration of these leases, ownership of the leased facilities will vest in the city. Of these bonds, a total of \$535,000 will be outstanding as of the date of this official statement. Their final maturity is February 1, 1995.

Table 5
CITY OF LA HABRA
Revenues and Expenditures

	1973/74 ^①	1974/75 ^①	1975/76 ^①	1976/77 ^①	1977/78 ^①	1978/79 ^②
Revenues:						
Property Taxes	\$1,629,152	\$1,831,804	\$1,978,232	\$2,111,789	\$ 2,375,744	\$ 1,186,195
Other Taxes	1,533,797	1,609,363	1,796,353	1,959,239	2,421,726	2,563,540
Licenses and Permits	127,958	77,714	112,820	98,465	167,562	329,500
Fines and Penalties	71,320	105,454	110,728	113,016	143,829	110,000
Use of Money and Property .	225,464	212,659	151,162	170,076	206,730	186,075
From Other Governmental						
Agencies	2,139,680	2,653,976	3,556,252	4,144,703	4,793,953	4,874,225
Service Charges	216,602	161,827	302,141	427,626	669,334	670,864
Other	25,919	261,269	—	31,986	43,082	350,462
Total	\$5,969,892	\$6,914,066	\$8,007,688	\$9,056,900	\$10,821,960	\$10,270,861
Expenditures (including capital outlays):						
General Government	\$1,023,087	\$1,473,678	\$2,475,226	\$2,900,379	\$ 3,866,936	\$ 2,990,465
Public Safety	2,250,894	2,575,085	2,815,572	3,025,252	3,155,054	3,417,700
Public Works	1,404,073	1,389,586	1,199,990	1,645,946	2,044,091	2,744,932
Parks and Recreation	1,205,769	603,361	1,127,171	1,264,648	865,897	885,426
Contributions to Other						
Governmental Units	781,694	—	106,116	156,348	401,422	230,000
Total	\$6,665,517	\$6,041,710	\$7,724,075	\$8,992,573	\$10,333,400	\$10,268,523

Source:

① City Finance Department as reported to State Controller.

② City Budget.

THE CITY

The City of La Habra is located in the northwest corner of Orange County bordering the Orange-Los Angeles County boundary line. It is adjacent to the cities of Whittier to the west, Brea to the east, and Fullerton to the south. La Habra is situated approximately 20 miles southeast of Metropolitan Los Angeles and 100 miles northwest of San Diego. The city comprises approximately 6.6 square miles in area. Elevations within La Habra range from 350 to 520 feet above sea level. The city has a mild climate with average temperatures ranging from 48 degrees to 76 degrees with a mean of 62 degrees. Average annual rainfall is 14.5 inches.

Originally, the city was a citrus, walnut and avocado producing agricultural center. Today, subsequent to substantial growth in population and physical development, La Habra has been transformed into a balanced community of residential, commercial, and light industrial nature. The city offers a distinctive and well-rounded program of civic, recreational, social and cultural services to its residents.

Municipal Government

Incorporated on January 21, 1925, La Habra is a general law city operating under the Council-Manager form of government. The City Council is composed of five members who are elected at-large to alternating four-year terms at elections held every two years. The Council selects one of its members to serve as Mayor. Advisory commissions appointed by the Council include: Planning, Social Concerns, Leisure and Culture and Traffic. Other advisory bodies to the Council are the Personnel Board and Underground Utility Committee.

La Habra was named an All-America City by the National Municipal League in 1974. La Habra was judged to be outstanding in the following areas: improving human relations; broadening educational opportunities; increasing citizen access to governmental decision making; and improving the effectiveness of civic organizations.

The 1978/79 city budget totals \$10.3 million, of which \$2 million is for capital improvements. It provides for approximately 260 full-time personnel to conduct city functions. La Habra's Police Department employs 67 sworn and non-sworn personnel while its Fire Department employs 40 sworn and non-sworn personnel.

Population and Housing

Since 1950 the city's population has increased over 700 percent. Throughout the years the residential and commercial nature of the community has remained basically constant. The tabulation below presents population statistics for the city.

CITY OF LA HABRA

Population Statistics

Year	Population	Percent Increase
1950	4,961	—%
1960	25,136	406.7
1970	41,350	64.5
1978	44,000	6.4

Sources: 1950-1970 U. S. Census Bureau; 1978 State Department of Finance estimate as of January 1, 1978.

The 1970 Census of Housing reported that 58 percent of the city's housing units were single-family dwellings and 90 percent were owner-occupied. Median home value was \$42,000. Median rental was \$200 per month. The median 1970 family income in La Habra, as reported by the Census, was \$12,213. The city planning department reports the average selling price of a home in the city was \$71,400 in 1978. The median family income in the city for 1978 was reported to be \$18,013 by *Sales and Marketing Management* magazine.

Employment

The City of La Habra lies within the Orange County Labor Market area which encompasses the entire county. As of December 1978, the total civilian employment in the county was 760,000, an increase over December 1977 of 50,600. The tabulation at the top left of page 33 summarizes distribution of employment for December 1977 and 1978.



Top photo: La Habra Fashion Square, a regional shopping center within the city. The center has two major department stores and 51 retail shops. Bottom photo: The city's children's museum, formerly the Union Pacific Railroad depot,

ORANGE COUNTY LABOR MARKET AREA

Civilian Employment by Industry

Industry	December 1977	December 1978
Manufacturing	178,800	195,000
Construction	42,500	44,900
Transportation and Public		
Utilities	21,100	23,600
Trade	173,900	190,700
Finance, Insurance,		
Real Estate	41,000	45,800
Services	137,600	150,200
Government	105,700	101,800
Agriculture	6,500	5,600
Mining	2,300	2,400
Total	709,400	760,000
Unemployment Rate	4.4%	4.1%

Source: California Employment Development Department.

Industry

Manufacturing and light industry are important factors in La Habra's economy. A total of 770 acres in the city are zoned for industry. Of this, approximately 96% is graded and improved. There are over 150 industrial, warehousing, distributors and heavy manufacturing firms within the community. As reported in 1976, La Habra had over 760 firms of which one was agricultural in nature, 70

were manufacturing, 261 were trade and 224 were service. Activity of major employers in the community is retail trade, hospital, oil extraction/research and construction. A list of the principal employers in the city is shown in the tabulation at the bottom of the page.

Transportation

La Habra is served by the nearby Orange, Pomona, and Riverside Freeways and State Routes 39, 90, and 72 (Whittier and Harbor Blvds.) which serve as major north-south and east-west thoroughfares to central and south Orange County and all of Los Angeles County. The city is served by the Orange County Transit District (OCTD), Southern California Rapid Transit District and OCTD-sponsored inter-city Dial-A-Ride service. Greyhound provides interstate bus service to the area. Rail lines serving La Habra are the Southern Pacific and Union Pacific. Amtrak-operated passenger train service is available in nearby Fullerton and Santa Ana. Scheduled truck service is provided by all major trucking firms which serve Orange and Los Angeles Counties. Fullerton, Ontario International, Long Beach, Orange County and Los Angeles International airports are accessible to city residents. Commuter service is provided to Los Angeles International by charter airlines. Two heliports are located within three miles of the city. The nearest deepwater port is the Port of Long Beach and adjoining Port of Los Angeles.

CITY OF LA HABRA

Principal Employers

Employer	Product/Service	No. of Employees
Alpha Beta Company	Grocery	1,500
Bullock's	Retail Department Store	375
Cal Russ Construction	Concrete Construction	500 Avg.
Chevron Oil Field Research	Oil Field Research	400
Chevron U.S.A., Inc.	Petroleum Products	465
GAF Corporation	Manufacturing, Distributing	200
City of La Habra	Government	260①
La Habra School District	Public School	556
La Habra Community Hospital	Hospital	560
Master Fence Fitting	Metal Products	240
Orvin Engineering	Miscellaneous Chemical Products	160

① This figure includes 46 full-time CETA employees. The City also hires student employees on a part-time basis and the number of these part-time employees varies from 300 to 650 persons during the fiscal year.

Source: City of La Habra, 1978 Data.

Construction Activity

The City of La Habra issued building permits valued in excess of \$26.1 million in 1978, an increase of \$5 million over 1977. Of the 1978 total dollar volume, about 64 percent consisted of new residential construction, predominantly multi-family struc-

tures. Residential permits approved during 1978 represented 336 dwelling units. More than 84 percent were for multi-family structures. Building permit valuations since 1974 are summarized in the tabulation below. The major permits issued by the city in 1978 are listed at the top of the page opposite.

CITY OF LA HABRA

Building Permit Valuations^①

Calendar Year	1974	1975	1976	1977	1978
Value:					
New residential	\$ 1,391,119	\$ 5,844,742	\$14,707,535	\$11,592,318	\$16,614,021
New commercial and industrial	373,280	1,198,962	2,250,633	5,972,191	6,446,119
Other	4,360,831	2,987,883	2,135,606	3,572,451	3,076,873
Total	\$ 6,125,230	\$10,031,587	\$19,093,774	\$21,136,960	\$26,137,013
Number of new dwelling units:					
Single	4	9	16	62	62
Multiple ^②	70	137	365	196	274
Total	74	146	381	258	336

① Source: City of La Habra, Building and Safety Department.

② Includes duplex and single-family attached units.

A condominium development under construction in La Habra in February 1979.



CITY OF LA HABRA

Major Building Permits — Calendar 1978

Project	Owner/Builder	Permit Valuation
Condominiums	Hendrix Development Co.	\$3,308,280
Houses	Classic Development Co.	3,307,560
Condominiums	Warmington Development Co.	3,069,130
Industrial	Dunn Properties, Inc.	1,785,544
Apartments	Pacific Island Development	1,226,630
Industrial	Lyle Park, Jr.	1,033,968
Apartments	Investor Development Co.	722,505
Industrial	T. Mazone	497,515
Apartments	W. Burgess	433,800
Commercial	C. Fletcher	350,700
Commercial	E. Harris	325,280
Commercial	Mideb Nominus, Inc.	319,000

Source: City of La Habra, Building and Safety Department.

Commercial Activity

The city has diverse commercial development which is located within the central business district and in shopping malls. Major local shopping centers include the La Habra Circle Center, Harbor Central Plaza, La Habra Plaza, Hacienda Plaza and La Habra Square.

The city's regional shopping center is La Habra Fashion Square which is a mall comprised of two anchor and fifty-one satellite stores. Other major areas of commercial activity within the community are five automobile dealerships and a wide variety of offices, service establishments, restaurants and other retail outlets. Growth of taxable sales in the city since 1973 is summarized in the tabulation below.

CITY OF LA HABRA

Taxable Transactions

Year	Number Outlets	Taxable Transactions
1973	901	\$117,566,000
1974	937	124,651,000
1975	989	134,211,000
1976	1,052	149,134,000
1977	1,124	173,040,000
1978 (6 mos.)	1,125	98,891,000

*Source: State Board of Equalization.

Banking

The city is served by the following banks and savings and loan associations: Bank of America National Trust and Savings Association (3 branches), Crocker National Bank, Lloyds Bank, Mitsubishi Bank of California, Security Pacific National Bank (2 branches), United California Bank, Citizens Savings and Loan, Fullerton Savings and Loan, Mercury Savings and Loan, Quaker City Federal Savings and Loan, U. S. Life Savings and Loan, and Western Federal Savings and Loan.

Utilities

The residents and businesses of the city are supplied electrical service by Southern California Edison Company; natural gas by Southern California Gas Company; and telephone service by Pacific Telephone and General Telephone companies.

The city owns and operates the sewage collection system. Orange County Sanitation Districts (OCSd) Nos. 2 and 3 receive, treat and dispose of sewage.

Water is supplied to the majority of the city by the city water department. The California Domestic Water Company provides water for approximately 50 connections. The Suburban Water Company furnishes water for 200 connections in 2 small outlying areas of the city. The city water department utilizes two major supply sources. About 30 percent of its supply comes from the California

Domestic Water Company. La Habra owns 1,719.5 shares or 21.5 percent of the 8,005 total shares of California Domestic Water Company. Seventy percent of the department's supply comes through the Municipal Water District of Orange County (MWDOC) which in turn purchases the water from the Metropolitan Water District.

California Domestic Water Company wells pump the San Gabriel River underground basin, while MWDOC obtains its water from the Colorado River and the California Water Project (Feather River). The city presently has 10 million gallons of reservoir storage capacity and has plans to construct another 4.5 million gallon reservoir.

The city water department has two supplemental sources of water from interties with the Southwest Water Company and the Suburban Water Company. The two interties are for emergency use but the city has never had occasion to utilize these sources. The city presently has 10 million gallons of reservoir storage. There are tentative plans to provide another 4.5 million gallons of storage capacity.

Education

Public educational services in the city are provided by two elementary school districts and one high school district. La Habra School District operates nine elementary and two intermediate schools in the community. Lowell Joint School District serves the cities of Whittier and La Habra. The district operates nine schools. Within the City of La Habra, the Lowell Joint School District operates three elementary schools and one intermediate school. The La Habra students constitute approximately forty-two percent of the total student enrollment in the Lowell District. The Fullerton Union High School District operates eight high schools, one of which is a continuation high school. La Habra is served by three high schools, two of which are located within the city boundaries.

In addition there is a private Catholic elementary school located in the city.

There are several colleges and universities within a 30-mile radius which afford opportunities for higher education. Fullerton and Cypress are two North Orange County Community College District colleges offering two-year programs. Four-year institutions located nearby are California State University at Fullerton, California State University at Long Beach, University of California at Irvine, Chapman College, Biola College, and Whittier College.

Recreation Facilities

The city Recreation Department offers a comprehensive program of sports, hobbies and social and cultural programs which are designed to appeal to a wide variety of ages and interest groups. These include classes in swimming, tennis, golf, skiing, chess, dancing, theater, and gym activities among others. There are twelve city parks, a public tennis complex and approximately twelve miles of bicycle routes.

La Habra is located close to several popular tourist attractions. Disneyland, Knotts Berry Farm and Lion Country Safari are less than 30 minutes away. Approximately 20 minutes away is Anaheim Stadium, home of the California Angels baseball team and future home of the Los Angeles Rams football team. The city is also located within a short driving distance from the resort areas in the San Bernardino mountains and the Southern California beaches.

Community Facilities

A wide variety of health and social services are available within La Habra from public and private resources. There is a community hospital in the city with a 299-bed capacity including 251 medical-surgical beds and 48 mental-psychiatric beds. There are six general hospitals in north Orange County to serve area residents. There are over seventy-five medical professionals practicing in the city.

Also located in the city are two fire stations providing mobile intensive care (Paramedics) and emergency ambulance services, a Youth Services Center, Human Resource Center, a City Manpower (Employment and Training) Department, facilities for senior citizens and two Child Development Centers.

There is a branch of the Orange County Library located in the city which contains over 50,000 volumes.

There is a weekday local newspaper in the city and six other Southern California daily newspapers are delivered to the city. In addition, cable television is available to residents.

Residential and commercial revitalization of the city's older section is in progress under the auspices of a local Neighborhood Housing Services agency, SBA/Local Development Corporation, Redevelopment Agency of the City of La Habra and various other local rehabilitation assistance programs.

**FORM OF
MORTGAGE POOL INSURANCE POLICY**

TIGER INVESTORS MORTGAGE INSURANCE COMPANY

(A Stock Insurance Company Herein Called The Company)

AGREES TO PAY TO

The Insured identified below, in consideration of the premium paid or to be paid as specified herein, the loss sustained by reason of the default in payments by a Borrower on any Residential Mortgage Agreement identified in the attached Pool Schedule(s), subject to the terms and conditions contained herein;

Insured's Name and Mailing Address

<u>Policy Number</u>	<u>Insured's Identification No.</u>	<u>Effective Date of Policy</u>
----------------------	---	-------------------------------------

Premium Rate: _____ of Principal Premium: _____

Initial total principal balance of the Pool: _____

Number of Pool Schedule Pages attached to this Policy: _____

IN WITNESS WHEREOF, the Company has caused its Corporate Seal to be hereto affixed and these presents to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding the Company by virtue of countersignature by its duly authorized agent.

TIGER INVESTORS MORTGAGE INSURANCE COMPANY

President

Secretary

[SEAL]

Authorized Countersignature

1. DEFINITIONS

- A. "Policy" is this policy of insurance plus all applications, endorsements and Pool Schedule(s), relating hereto, all of which are incorporated by reference herein.
- B. "Pool" is the specific group of Residential Mortgage Agreements to be insured pursuant to this Policy. The Insured is selling a ninety (90%) percent participation interest in said Pool to the _____. Accordingly, for all purposes of this Policy, 90% of the outstanding balance of each Residential Mortgage Agreement comprising the Pool shall be insured hereunder. The Pool shall be established as of the effective date of this Policy with no right of substitution thereafter; provided, however, that the Insured shall have the right to substitute Residential Mortgage Agreements in the Pool, subject to the Company's underwriting approval, for a sixty (60) day period subsequent to the effective date of this Policy. Any substitutions shall require a modification to the Pool Schedule(s) and an adjustment of premium, said modification and adjustment of premium to be made following said sixty (60) day period.
- C. "Pool Schedule" is the list of Residential Mortgage Agreements which, in total, comprise the Pool insured under this Policy. The Pool Schedule(s) and any modifications thereto shall be signed by an authorized Company employee.
- D. "Default" occurs when the Borrower becomes delinquent in an amount equal to, or greater than, one (1) monthly payment due under the terms of the Mortgage Agreement.
- E. "Two (2) or Four (4) Months in Default" occurs when the Borrower becomes delinquent in an amount equal to or greater than either two (2) or four (4) monthly payments, respectively, due under the terms of the Mortgage Agreement.
- F. "Mortgage Agreement" is any note, bond or evidence of indebtedness secured by a mortgage, deed of trust or other instrument constituting a first lien or charge on residential real property and used to evidence the Borrower's obligation.
- G. "Residential" is a type of building or condominium unit or building which is designed for occupancy by not more than four families.
- H. "Good and Merchantable Title" is title free and clear of all liens, rights of redemption, encumbrances, covenants, conditions or restrictions and

easements except for municipal and zoning ordinances and exceptions to title set forth in Federal Housing Administration Reg. Sec. 203.389 and Section 314.02 of the Federal National Mortgage Association Conventional Selling Contract Supplement, both to the extent in effect at the effective date of this Policy, and except for any other impediments which will not have an adverse effect on the marketability of the title.

- I. "Proceedings to Acquire Good and Merchantable Title" shall mean any legal remedy required or permitted after Default under Applicable Local Laws to vest in the Insured Good and Merchantable Title as defined herein, including but not limited to, foreclosure by public or private sale, and voluntary conveyance from the Borrower.
- J. "Satisfactory Evidence of Good and Merchantable Title" shall mean a title insurance company's commitment to insure that Good and Merchantable Title is vested in the Insured or grantee to be named; or opinion or certificate of any attorney approved by the Company, directed to the Company, affirming that the Insured is vested with Good and Merchantable Title to the real estate, together with an abstract of title or comparable title evidence generally acceptable by purchasers of real estate in the area.
- K. "Approved Sale" is (1) sale of a property acquired by the Insured because of a default by the Borrower and to which the Company has given prior approval or (2) a foreclosure or trustee's sale of a property to a third party at a price exceeding the maximum amount specified by the Company to be bid by the Insured.
- L. "Successor Servicer" is an entity succeeding the Insured as servicer of the Residential Mortgage Agreements listed in the Pool Schedule(s).
- M. "Applicable Local Laws" shall mean the laws, ordinances, codes and/or regulations applicable in the jurisdiction in which the real property is located.
- N. "Borrower" is the person or entity designated as such on the face of the Pool Schedule(s).
- O. "Servicing Agreement" is an agreement between the Insured and a trustee or other entity under the terms of which the Residential Mortgage Agreements are conveyed or assigned with a provision for the continued servicing of the Residential Mortgage Agreements by the Insured.

- P. "Qualified" means the Company is duly qualified under applicable state laws to write the insurance provided by this Policy and is approved as an insurer by the Federal Home Loan Mortgage Corporation.

2. EFFECTIVE DATE, POLICY PERIOD AND PREMIUMS

The effective date of this Policy shall be the date specified on the face hereof. The Policy shall continue in force until each Residential Mortgage Agreement listed on the attached Schedule(s) has been paid in full by the Borrower, or is otherwise extinguished, thereby discharging said debt to the Insured, or until such time as the aggregate loss limit set forth in Condition 6 (G) below has been reached. If at anytime the Company ceases to be Qualified, the Insured may terminate the Policy upon thirty (30) days written notice to the Company. The premium for this Policy shall be paid in annual installments calculated by multiplying the fixed annual rate specified on the face hereof by 90% of the total principal balances outstanding of the Residential Mortgage Agreements in the Pool at the beginning of each Policy year. Each installment shall be paid within ten (10) days of the Policy anniversary date. Failure to pay any annual installment of the premium due within ten (10) business days after receipt of notice from the Company that such installments is due and unpaid will terminate the liability of the Company with respect to the coverage contained in this Policy; provided, however, in the event of nonpayment of premium, the _____ shall be given written notice thereof and shall itself be afforded ten (10) business days to pay all premiums due. Except for nonpayment of premium, the Company shall not otherwise have any right to cancel this Policy. There shall be no refund or premium or right of cancellation under this Policy; provided, however, the Insured may cancel this Policy at such time when the Pool has been reduced to no more than ten (10%) percent of the amount of the Pool as originally established.

3. NOTICE OF PREPAYMENT/ASSUMPTIONS

The Insured shall annually (by January 15 of each year) provide the Company with a listing of those Residential Mortgage Agreements which (i) have been prepaid in full or which have been otherwise extinguished thereby discharging the debt to the Insured; or (ii) which have been assumed.

4. NOTICE OF DEFAULT

Within ten (10) days after:

- A. A Borrower is Two (2) Months in Default as defined herein, or

- B. Proceedings to Acquire Good and Merchantable Title to a Borrower's property have been commenced,

whichever event occurs first, notice thereof shall be given to the Company by the Insured upon the form furnished by the Company; provided, however, that failure of the Company to furnish forms shall not relieve the Insured of the obligation to give notice in any reasonable form within the required time. Thereafter, the Insured shall report monthly to the Company in summary form the status of the Borrower's account, until the claim is tendered to the Company or until the Borrower shall be less than Two (2) Months in Default.

5. PROCEDURE BY THE INSURED UPON DEFAULT

When the Borrower is Two (2) Months in Default, the Company may direct that the Insured commence proceedings to acquire Good and Merchantable Title, which shall be commenced forthwith. In the absence of such direction, and in any event, the Insured shall commence such proceedings when the Borrower is Four (4) Months in Default. Such proceedings when instituted shall be diligently pursued, and shall applicable local law permit, application for appointment of a receiver shall be made by the Insured. The Company shall be furnished at the time of filing thereof, one legible copy of the complaint to foreclose, and within a reasonable time after entry thereof, one legible copy of any judgment, decree or order of the court in any such proceeding. In any proceeding in which the Insured is required to bid at a public sale to obtain title to real estate, the Insured may bid any amount, in its sole discretion, provided, however, that failure to obtain title shall preclude the right to file a claim for loss hereunder. The amount of loss which may be claimed shall be computed in accordance with either Condition 6 (D) or (E), irrespective of the amount bid or the amount recovered by the Insured out of the proceeds of sale.

6. LOSS PROCEDURES

- A. Advances for Insurance, Taxes and Foreclosure Costs
In the event of Default, it shall be a condition precedent to payment of a claim that the Insured advance: (1) hazard insurance premiums, and (2) as necessary and approved in advance by the Company, (a) real estate property taxes and property protection and preservation expenses, (b) property sales expenses, and (c) foreclosure costs including court costs and reasonable attorney fees, not exceeding 3% of the unpaid principal balance of the Residential Mortgage Agreement.
- B. Restoration In the event of Default, if there by any physical loss or damage to the property from any cause, whether by accidental means or otherwise, it shall be a condition precedent to payment of

a claim that the Insured store the property to its condition at the time of the issuance of this Policy, reasonable wear and tear excepted; and the expenses incurred in such restoration shall not be included in the Insured's claim for loss.

C. Completed Construction In the event of Default, if improvements on the property are proposed or in the process of construction, it shall be a condition precedent to payment of a claim that such construction is completed according to plans and specifications. Any expenses incurred or sums advanced by the Insured incident to completing such construction shall not be included in any claim for loss.

D. Computation of Loss Subject to Condition 6 (G), the amount of loss payable to the Insured on each individual claim shall be ninety (90%) percent of the following:

- (1) The amount of the unpaid principal balance at the time the claim is tendered to the Company, and
- (2) Advances of principal and interest made by the Insured on the individual Residential Mortgage Agreements from the time of Default until the Insured tenders its claim for loss to the Company, and
- (3) The amount of the advances for insurance, taxes and foreclosure costs made by the Insured pursuant to Condition 6 (A) above,

Less, the net proceeds received upon an Approval Sale (if any) of the property.

E. Claim Payment Option Subject to Condition 6 (G), in lieu of paying the loss determined by the computation in 6 (D) above, the Company may, at its option, pay the Insured ninety (90%) percent of the sum of the amounts under 6 (D)(1), (2) and (3), and the Insured shall provide the Company with Good and Merchantable Title. Within thirty (30) days after the property is sold by the Company, the Company shall give written notice to the Insured of the net amount received from the sale, and the aggregate loss limit shall be adjusted in accordance with the provisions of G below.

F. Discharge of Obligations Any claim payment by the Company pursuant to Conditions 6 (D) and (E) shall be a full and final discharge of its obligation with respect to such claim under the terms of this Policy.

- G. Aggregate Loss Limit Notwithstanding the provisions of Condition 6 (D) and (E), above, the total aggregate liability of the Company hereunder shall not exceed five (5%) percent of ninety (90) percent of the total principal balance of the Pool as shown on the face hereof after giving effect to principal payments due on such effective date. This total aggregate liability shall be reduced by the total of all losses previously paid by the Company pursuant to Condition 6 (D) and (E), above, less any net amounts the Company has received upon disposal of the property.

7. WHEN CLAIMS SUBMITTED AND PAYABLE

The Insured agrees to diligently pursue the acquisition of Good and Merchantable Title. Except as may otherwise be required herein, or, unless otherwise mutually agreed, the Insured's claim for loss, together with Satisfactory Evidence of Good and Merchantable Title in the Insured, shall be tendered to the Company within sixty (60) days after the Insured has obtained Good and Merchantable Title to the property; provided, however, the Company reserves the right and option to require the Insured to submit its claim prior to the time Good and Merchantable Title is obtained if, under applicable Local Law, a right of redemption exists in the Borrower. Failure to file a claim for loss within said sixty (60) day period shall be deemed an election by the Insured to waive any right to claim payment under the terms of this Policy. Any claim payment due the insured shall be payable within thirty (30) days after a claim is received by the Company.

8. WHERE NOTICE IS GIVEN

All notices, claims, tenders, reports and other data required to be submitted to the Company by the Insured, or by the Insured to the Company, shall be mailed postpaid to:

A. The Company, at the home office of the Company, at 225 Franklin Street, 10th Floor, Boston, Massachusetts 02110.

B. The Insured at:

The Company or the Insured may change these addresses upon written notice.

9. SUIT

No suit or action on this Policy for recovery of any claim shall be sustained in any court of law or equity unless all material conditions of this Policy have been

complied with, except that a condition may be specifically waived by the Company in writing. A suit against the Company must be commenced within three (3) years after the loss can be determined.

10. WAIVER OF CONDITIONS

No condition of the Policy or amendment or endorsement thereto shall be deemed waived, altered or otherwise compromised unless stated in writing and duly executed. Each of the conditions of this Policy is severable, and a waiver, alteration or compromise of one condition shall not be construed as a waiver, alteration or compromise of any other condition.

11. CONFLICTS WITH LAWS

Any provision of this Policy which is in conflict with the laws of the jurisdiction in which it is effective is hereby amended to conform with the minimum requirements of such laws.

12. EMINENT DOMAIN

If the value of the real estate is reduced by eminent domain or condemnation (or a sale in lieu of such condemnation), the Insured shall require the Borrower to apply the entire proceeds awarded or received toward payment of the Mortgage Agreement.

13. OPEN-END AND OTHER ADVANCES

The Insured may secure insurance for voluntary advances to a Borrower, provided that an application is made to and approved by the Company, in writing. Any changes occasioned by such advances approved by the Company shall be shown on an annual endorsement to the Policy.

14. ALLOCATION OF PAYMENTS BETWEEN INSURED AND UNINSURED PORTIONS

In the event that for any reason the amount of the Residential Mortgage Agreement shall exceed the amount insured by the Company, all payments made by the Borrower under the terms of the Residential Mortgage Agreement shall be allocated between the insured and uninsured portion of the Residential Mortgage Agreement in the same ratio as the amount insured bears to the amount uninsured.

15. TO WHOM PROVISIONS APPLICABLE

The provisions of this Policy shall inure to the benefit of and be binding upon the Company, the Insured and any Successor Servicer and their successors and assigns. Where appropriate, all references to the Insured shall include any Successor Servicer.

LA HABRA REDEVELOPMENT AGENCY

Financial Statements

June 30, 1978

(With Accountants' Report Thereon)



Peat, Marwick, Mitchell & Co.

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

660 NEWPORT CENTER DRIVE

NEWPORT BEACH, CALIFORNIA 92660

The Honorable Members of the
La Habra Redevelopment Agency:

We have examined the financial statements of the various funds and account group of the La Habra Redevelopment Agency for the year ended June 30, 1978. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the La Habra Redevelopment Agency at June 30, 1978 and the results of operations of such funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The State of California's Community Redevelopment law, as amended, requires the independent public accountant to issue a supplemental opinion pertaining to the Agency's compliance with laws, regulations and administrative requirements governing its activities. Because audit guidelines have not been promulgated with regard to the aforementioned, we have not performed a review of such compliance requirements.

Peat, Marwick Mitchell & Co.

Newport Beach, California
October 5, 1978

LA HABRA REDEVELOPMENT AGENCY

Balance Sheet

June 30, 1978

<u>Assets</u>	Redevelopment Project <u>Fund</u>	Debt Service <u>Fund</u>	Long-term <u>Debt</u>
Cash, restricted as to use (note 4)	\$ -	300,668	-
Cash equivalents	500,561	16,522	-
Tax increments receivable	-	230	-
Accounts receivable	139,732	-	-
Land inventory	530,449	-	-
Deferred charges	35,683	-	-
Amount available for retirement of tax allocation bonds	-	-	317,190
Amount to be provided for retirement of tax allocation bonds	-	-	715,975
Total assets	\$ <u>1,206,425</u>	<u>317,420</u>	<u>1,033,165</u>

Liabilities, Reserves and Fund Balance

Accounts payable	\$ 3,700	-	-
Due to City of La Habra (note 3)	500,000	-	-
Interest payable to City of La Habra (note 3)	13,333	-	-
Tax allocation bonds payable, net of unamortized discount of \$46,835 (note 5)	-	-	1,033,165
Total liabilities	517,033	-	1,033,165
Fund balance - unappropriated	123,260	317,420	-
Fund balance appropriated for:			
Land inventory	530,449	-	-
Deferred charges	35,683	-	-
Total appropriated balance	<u>566,132</u>	<u>-</u>	<u>-</u>
Contingencies (note 6)			
Total liabilities, re- serves and fund balance	\$ <u>1,206,425</u>	<u>317,420</u>	<u>1,033,165</u>

See accompanying notes to financial statements.

LA HABRA REDEVELOPMENT AGENCY

Statement of Revenues, Expenditures and
Changes in Unappropriated Fund Balance

Year ended June 30, 1978

	Redevelopment Project <u>Fund</u>	Debt Service <u>Fund</u>
Revenues:		
Proceeds from tax allocation bonds	\$ 732,497	300,668
Tax increment	-	16,752
Sale of project property	185,910	-
Rental revenue	330	-
Interest	<u>2,920</u>	<u>-</u>
Total revenues	<u>921,657</u>	<u>317,420</u>
Expenditures:		
Project area property purchases	354,938	-
Administration	44,083	-
Repayment of advance to City of La Habra	350,360	-
Interest	<u>13,333</u>	<u>-</u>
Total expenditures	762,714	-
Less additions to land inventory	<u>354,938</u>	-
	<u>407,776</u>	<u>-</u>
Excess of revenues over expenditures	513,881	317,420
Fund balance, July 1, 1977	<u>-</u>	<u>-</u>
Balance and additions	513,881	317,420
Deduct fund appropriations:		
Increase in land inventory	354,938	-
Increase in deferred charges	<u>35,683</u>	<u>-</u>
Fund balance, June 30, 1978	<u>\$ 123,260</u>	<u>317,420</u>

See accompanying notes to financial statements.

LA HABRA REDEVELOPMENT AGENCY

Notes to Financial Statements

June 30, 1978

(1) Summary of Significant Accounting Policies

The La Habra Redevelopment Agency accounts for its financial data in the following funds and account group.

Redevelopment Project Fund

This fund accounts for revenues and project costs including acquisition of properties, cost of site improvements, other costs of benefit to the Project Area, and administrative expenses incurred in sustaining Agency activities.

Debt Service Fund

This fund was established to finance and account for the payment of interest and principal on the Agency's tax allocation bonds. The principal sources of revenue of this fund are tax increment and investment income.

Long-term Debt Group of Accounts

This group of accounts accounts for the Agency's outstanding indebtedness.

The following is a summary of the Agency's more significant accounting policies.

Basis of Accounting

The Redevelopment Project Fund uses the accrual basis of accounting and the Debt Service Fund uses the modified accrual basis of accounting. Under the modified accrual basis of accounting, (a) expenditures, other than interest on long-term debt, are recorded when the liability is incurred, and (b) revenues are recorded when received in cash unless susceptible to accrual.

Project Costs

Project costs are recorded as expenditures in the Redevelopment Project Fund. Certain project costs deemed to be recoverable or attributed to future activities are capitalized at the lower of cost or market. The following categories represent costs capitalized at June 30, 1978.

Land Inventory

Includes certain land at cost which will be charged to project expenditures when sold.

Deferred Charges

Represent costs incurred on issuance of tax allocation bonds which the Agency amortizes on a straight-line basis over the term of the bonds.

(Continued)

LA HABRA REDEVELOPMENT AGENCY

Notes to Financial Statements

(2) Creation of La Habra Redevelopment Agency

The La Habra Redevelopment Agency was created by Ordinance No. 922 of the La Habra City Council, adopted on January 7, 1975. The Agency was established pursuant to the Community Redevelopment Law of California as codified in Part I of Division 24 of the State of California Health and Safety Code.

The Agency was empowered to engage in the general economic revitalization and redevelopment of the City of La Habra through acquisition and development of property in those areas of the City determined to be in a declining state. The principal project of the Agency is known as the Downtown Redevelopment Project which was approved by Ordinance No. 929 at a joint meeting of the Agency and the La Habra City Council on October 29, 1975.

(3) Due to City of La Habra

The City of La Habra advanced the Agency funds to assist in the implementation of redevelopment plans and the Agency has agreed to pay 8% interest on advances due to the City.

The advances, together with accrued interest, are to be repaid to the City by the Agency from tax increments accruing to the Agency or from any other funds which may be legally available to the Agency for repayment to the City. The Agency's repayment of advances to the City is subordinated to the retirement of the Agency's tax allocation bonds. There is no stipulated due date for repayment.

(4) Cash Restricted as to Use

The Agency's fiscal agent held \$300,668 out of the proceeds of the 1978 Tax Allocation Bonds at June 30, 1978. This amount is restricted for use in accordance with the La Habra Redevelopment Agency Tax Allocation Bond Resolution Number 78-01.

(5) Tax Allocation Bonds

The Downtown Project Area Redevelopment Project 1978 Tax Allocation Bonds (the bonds) were authorized under Resolution No. 78-01 of the Redevelopment Agency of La Habra adopted on January 3, 1978.

During the fiscal year, the Agency Redevelopment Project Fund and Debt Service Funds received proceeds aggregating \$1,033,165 on issuance of the bonds at a \$46,835 discount.

The bonds mature annually in increasing amounts from \$15,000 on March 1, 1982 to \$90,000 on March 1, 2006. The bond interest rates range from 5.4% for bonds maturing in 1982 to 6.5%. Bonds maturing after March 1, 1992, may be redeemed at the option of the La Habra Redevelopment Agency on March 1, 1993, or on any interest payment date after September 1, 1991 at a price ranging from 100.25% to 103.00% of face value.

(Continued)

LA HABRA REDEVELOPMENT AGENCY

Notes to Financial Statements

The bond indebtedness is secured by a first pledge of all incremental property taxes received by the Agency.

(6) Contingencies

In the ordinary course of conducting its operations, the Agency has sometimes found it necessary to institute eminent domain proceedings against property owners in order to acquire necessary property within the project area. Several such eminent domain proceedings were active at June 30, 1978. The point at issue in all cases is the amount of just compensation to be paid to the property owner for his property. It is the opinion of the Agency's general counsel that the disposition of all suits will not have any material adverse effect on the financial position of the Agency.

(7) Fund Reclassifications

The operations of the Agency were recorded in one fund in prior years. Balances as of July 1, 1977, were determined as though the current funds had been in existence in prior years.

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